

1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE EASTERN DISTRICT OF TEXAS
3 TYLER DIVISION

4 MARVELL SEMICONDUCTOR, ET AL) DOCKET NO. 6:07cv204
5 -vs-)
6 COMMONWEALTH SCIENTIFIC AND)
7 INDUSTRIAL RESEARCH)
8 ORGANISATION, INC.)

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11 TRANSCRIPT OF PRETRIAL CONFERENCE
12 BEFORE THE HONORABLE LEONARD DAVIS,
13 UNITED STATES DISTRICT JUDGE

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17 A P P E A R A N C E S
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22 (SEE SIGN-IN SHEET DOCKETED IN THE CASE.)
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17 COURT REPORTER: MS. SHEA SLOAN
18 211 West Ferguson
19 Tyler, Texas 75702

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22 Proceedings taken by Machine Stenotype; transcript was
23 produced by a Computer.

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1 PROCEEDINGS

2 THE COURT: Please be seated.

3 All right. Ms. Ferguson, if you will call the case,
4 please.

5 THE CLERK: Court calls Case No. 6:07cv204, Marvell
6 Semiconductor v. CSIRO.

7 THE COURT: Announcements.

8 MR. TINDEL: Good morning, Your Honor. Andy Tindel.

9 I'm here for the Marvell entities in the case. With us I have
10 our client Jennifer Oates, who is the director of our
11 intellectual property litigation. Ruffin Cordell.

12 MR. CORDELL: Good morning, Your Honor.

13 MR. TINDEL: Warren Heit.

14 MR. HEIT: Good morning, Your Honor.

15 MR. TINDEL: Kevin McGann.

16 MR. McGANN: Good morning.

17 MR. TINDEL: Eric Krause.

18 MR. KRAUSE: Good morning

19 MR. TINDEL: And Indy Mukerji.

20 MR. MUKERJI: Good morning, Your Honor.

21 MR. TINDEL: We are ready to proceed.

THE COURT: Thank you.

23 MR. MICHAUD: Good morning, Your Honor. I am Fred
24 Michaud from Capshaw & DeRieux for the patent owner CSIRO.

25 Mr. Calvin Capshaw and Jeff Rambin from Capshaw &

1 DeRieux.

2 THE COURT: Okay.

3 MR. MICHAUD: Mr. Jordan Jones --

4 MR. JONES: Good morning, Your Honor.

5 MR. CAPSHAW: -- from Townsend and Townsend and
6 Crew. Mr. Bassett from Townsend also is going to be helping
7 us with the slides.

8 We have with us today from CSIRO, Terry Healy, who
9 is special counsel.

10 THE COURT: Mr. Healy.

11 MR. MICHAUD: And I will introduce John Lord while I
12 am on this side of the room.

13 MR. LORD: Good morning, Your Honor.

14 MR. MICHAUD: He is with Townsend as well.

15 THE COURT: All right.

16 MR. MICHAUD: And Jim Wagstaffe from Kerr &
17 Wagstaffe; and Gary Ritchey with the Townsend Firm.

18 THE COURT: Very well.

19 MR. MICHAUD: We are ready.

20 THE COURT: All right. We have quite a bit to cover
21 in this pretrial. Let me just start with -- ask each side to
22 give me a five-minute overview, opening statement of what you
23 think is the most important issues before the Court and any
24 suggested order you have for tackling this pretrial.

25 So who would like to go first? If I could ask

1 someone -- oh, I have a pen. I need one with ink. This one
2 is out. Thank you.

3 All right. Mr. Cordell.

4 MR. CORDELL: Thank you, Your Honor, Ruffin Cordell,
5 Fish & Richardson on behalf of the plaintiff, Marvell.

6 Perhaps, it would be best to begin with where we
7 think the battle order ought to be. We got together with
8 CSIRO this morning and talked about all of the motions, and
9 the Court is exactly right, we do have quite a bit to get
10 through. And the order that we would like to suggest is that
11 we start with our motion to dismiss, which is Docket 301.

12 We then argue the motion to realign, which is docket
13 337.

14 We then argue a grouped motion that deal with the
15 Court's claim construction in this case, which are Dockets 281
16 and 306.

17 THE COURT: What are those numbers again?

18 MR. CORDELL: I'm sorry, Your Honor, 281 and 306.

19 THE COURT: Okay.

20 MR. CORDELL: And then turn to CSIRO's summary
21 judgment motion on our third through six defenses, which is
22 Docket 232.

23 And after that, we thought that perhaps we could see
24 what the Court's preference is and go from there. Perhaps
25 each side could pick one of the other motions in a draft --

1 THE COURT: You don't want to start with your
2 motions in limine?

3 MR. CORDELL: They are a highlight, Your Honor, to
4 be sure.

5 THE COURT: I love them. They're great.

6 MR. CORDELL: We will get to those, I'm sure.

7 THE COURT: I'm not so sure. I am thinking about
8 just starting to deny all motions in limine and just let
9 everybody deal with it at trial like we used to.

10 But, anyway, all right. What about CSIRO, what is
11 your position with regard to the best way to proceed?

12 MR. MICHAUD: We are pretty much in agreement on
13 that order. Obviously there is a pretrial order for issues
14 that are of concern to us, but they may fall by the wayside as
15 we go through these various motions.

16 THE COURT: Let's start with 301, Marvell's motion
17 to dismiss.

18 MR. CORDELL: Very well, Your Honor. Did the Court
19 want to hear any more about an opening statement or just go in
20 the motions --

21 THE COURT: No, I will be glad to hear an opening
22 statement.

23 MR. CORDELL: I will be very brief. I would just
24 like to highlight a couple of issues. The first is the motion
25 to dismiss. That is something, as I am clearly new to the

1 case, I found to be --

2 THE COURT: You are not new to the case. You have
3 been around for a long time.

4 MR. CORDELL: That is true, Your Honor. But this
5 particular case this was an issue that was new to me, and I
6 found very, very provocative. What I will do when we get to
7 that part is walk the Court through --

8 THE COURT: If it is so provocative, why did it take
9 so long to dream it up?

10 MR. CORDELL: Well, I have struggled with that,
11 given my longevity in the overall matter, and someone
12 suggested that I should plead the 5th at a moment like this.

13 THE COURT: Well, go ahead with your opening
14 statement. We will get to that in a minute.

15 MR. CORDELL: The motion to dismiss issues I do want
16 to emphasize because I do think they are weighty, but we will
17 spend a fair amount of time on that.

18 When we get to the merits of the case, there are two
19 very, very significant issues that we are going to consider in
20 various forms as we move through the day.

21 The first has to do with the claim construction in
22 this case. The Court has done a lot of claim construction
23 work in this matter and on this particular patent. I think we
24 have probably set a record for the amount of time that the
25 Court has spent on it. And yet we still do have issues.

1 What we found after the last -- the trial last April
2 is that, at least we believe, that CSIRO went home and put
3 their thinking caps on and tried to find a way to avoid the
4 very compelling invalidity case that the defendants in the
5 April 2009 trial were able to adduce. And what they did is
6 they began to tinker with the claim construction, for lack of
7 a better word.

8 So at the end of it, we believe the issues we are
9 going to talk about here are directed to that issue. And
10 CSIRO's effort to move those claims back away from that
11 invalidity precipice -- and that has had two very profound
12 effects.

13 Number one, it required them to go back and
14 reconsider some of their PICs, for example. And that is one
15 of the motions that we are going to argue. Their infringement
16 case doesn't line up exactly right, once they try to move the
17 claim construction away.

18 And then the second thing that it does is it
19 actually opens up infringement defenses that might not have
20 existed before. So it is a fairly disruptive process. So I
21 do think it is worth a fair amount of attention here today.

22 And then the other significant issue that we have
23 seen develop has been the jurisprudence, the jurisprudence
24 surrounding the ResQNet decision from the Federal Circuit
25 dealing with settlement agreements.

1 Last Friday CSIRO served a new expert report Friday
2 night, wherein their damages expert announces his reliance on
3 settlement agreements and is putting those into issue. We had
4 been watching the cases out in Marshall, the DataTreasury
5 cases for example, and Judge Ward's dealing with the issue in
6 Tyco, with some interest; but, again, until last Friday night
7 we hadn't heard anything from CSIRO on the issue. But they
8 have now put them in.

9 It does have a very profound effect on the case
10 itself. The longstanding jurisprudence of the Eastern
11 District, of course, is that settlement agreements were never
12 admitted, they were never talked about in front of the jury.
13 They were never put into evidence.

14 ResQNet suggests that that should change, so we
15 would like to challenge that here today. We would like to try
16 to convince the Court that it is a bad idea. It has always
17 been a bad idea, and it remains a bad idea. But if they are
18 to be admitted, then we need to take significant steps to try
19 to ensure that there is no prejudice that befalls Marvell.

20 One of the reports that I got out of Marshall in the
21 DataTreasury case, that as soon as the plaintiff opened on the
22 settlement agreements, the jury quit listening because they
23 figured if others had settled, there was no reason for them to
24 go into the difficult issues of validity and infringement.
25 And that is exactly the prejudice that we seek to avoid.

1 And so when we get, again, to that -- I don't want
2 to give away too much of our argument; but we are going to ask
3 the Court to exclude the settlement agreements. But if they
4 are admitted, then take significant steps -- perhaps even
5 bifurcate the matter so that the jury hearing liability does
6 not have to hear about the settlement agreements.

7 With that, Your Honor, we are ready to proceed with
8 the motions.

9 THE COURT: Thank you.

10 Would CSIRO like to make an opening statement?

11 MR. MICHAUD: No, I don't think so, Your Honor. We
12 would like to go ahead and proceed with the motions.

13 THE COURT: Let's proceed with Docket No. 301,
14 Marvell's motion to dismiss counterclaims for lack of
15 standing.

16 MR. CORDELL: Your Honor, as is our habit, we have
17 PowerPoint slides prepared. I find that when I am lecturing
18 my teenagers, I have to have a PowerPoint now. And the motion
19 to dismiss is at Tab 1.

20 THE COURT: I will try to listen better than your
21 teenagers.

22 MR. CORDELL: I'm sure of that, Your Honor. My
23 eldest starts driving in about two weeks.

24 THE COURT: Good luck.

25 MR. CORDELL: Thank you.

1 Your Honor, it is appropriate that we consider the
2 motion to dismiss at the outset of this hearing because it is,
3 in fact, jurisdictional. We are here to talk about whether or
4 not all of us should be here in the first instance.

5 And the issue is squarely raised --

6 If I can have Slide 1.

7 -- did CSIRO assign any of its ownership rights to
8 the subject matter claimed in the '069 patent? We believe the
9 clear answer is yes; that IBM is at least a co-owner of the
10 '069 patent and because they are a co-owner, their absence
11 divests us of jurisdiction here and we can't even talk about
12 the case.

13 The law is very, very clear that without all of the
14 joint owners in the case, you can't litigate the rights that
15 are the subject of the lawsuit, the '069 patent.

16 We also believe that it is a fundamental defect in
17 one of the two primary elements of patent infringement. There
18 are only two elements of patent -- no matter how we dress it
19 up, it is ownership and infringement. That is what the
20 patentee has to prove.

21 CSIRO can't do that if they aren't the sole owner of
22 the '069 patent, and so we believe the case should be
23 dismissed.

24 This is not the first time I have stood before you
25 in this context. The Court may recall we had a case between

1 Softvault and Microsoft a couple years ago where we had
2 similar facts. There it was an employee assignment agreement
3 where an employee had developed technology with a former
4 company, and I believe we ended up resolving that with a
5 dismissal and a direction to go and arbitrate the matter,
6 which is how it was ultimately resolved.

7 And Judge Folsom, one of the cases that we cited was
8 the Reid v. Microsoft case. And there Judge Folsom did, in
9 fact, dismiss it on very similar grounds.

10 THE COURT: I know in one case I ordered a suspected
11 part owner joined as an involuntary plaintiff in the case.

12 MR. CORDELL: That would be a possibility, Your
13 Honor. There is some law that suggests that it is difficult
14 to force an involuntary plaintiff as a patent owner because
15 their validity rights are at stake. So whenever we walk into
16 court and sue somebody on a U.S. patent, we are squarely
17 testing the validity of that patent, so the patent owner can
18 end up with nothing. They can end up with an invalid patent.
19 So there are cases that suggest that it is difficult to compel
20 a plaintiff to appear. We sometimes --

21 THE COURT: Does this Court even have jurisdiction
22 over this Australian entity?

23 MR. CORDELL: That is an excellent question, Your
24 Honor, one I hadn't considered. We have always looked at IBM
25 as a monolith; but the Court is quite correct, it was IBM

1 Australia that signed the agreement, not IBM U.S.

2 THE COURT: Did the agreement pertain to just the
3 Australian patent rights or to U.S. patent rights as well?

4 MR. CORDELL: The agreement pertained to all
5 intellectual property rights. One of the things that I will
6 show the Court is that there was actually a little bit of a
7 back and forth between the parties about what rights IBM would
8 get. And originally CSIRO had taken the position that IBM
9 should only have very, very narrow rights. They should have
10 copyright rights, and a little bit of trade secret rights; and
11 that the information was to be used only in IBM for its own
12 internal purposes.

13 The draft history shows us that that was thrown away
14 in favor of a much broader grant to IBM; that there was some
15 discourse back and forth between the parties. After that
16 discussion, the agreement was reformed to give IBM unfettered
17 rights, unencumbered rights -- is the words that the parties
18 actually used -- to this technology.

19 So at bottom it is a very simple and straightforward
20 analysis. There was an agreement, it transferred the rights,
21 and IBM took the rights.

22 Let me just touch on the timeline, if I may at Slide
23 3.

24 We started in 1991 where CSIRO had contacts with IBM
25 to discuss a collaborative relationship. They wanted to deal

1 with IBM. They knew IBM was a leader in the technology
2 business. They needed IBM to be able to promote this. They
3 needed IBM to be able to tell other people that it was okay to
4 use it.

5 So they actively sought out that collaboration. In
6 August of 1992, five members of CSIRO, including two of the
7 inventors, went over to New York to visit with the IBM
8 folks. They then filed a provisional that in the first case I
9 wrongly assumed would be the basis for CSIRO's priority claims
10 in this case, for the '069 patent.

11 What has then become clear since I have been gone,
12 is that CSIRO has made it eminently clear they were not
13 relying on that provisional for priority purposes. Instead,
14 instead, what they are relying on are the deliverables they
15 gave to IBM. So the material they gave to IBM is what CSIRO
16 says forms the priority basis of the '069 patent. Not our
17 words. Their words.

18 There was a meeting in November/December of 1992
19 where there was significant discussions of the technology.

20 If I can go to Slide 4.

21 On December 21st, 1992, a draft agreement was
22 exchanged. And I apologize, Your Honor, because that was
23 something I had not seen before I actually prepared for this
24 argument. But we found it. And we have the draft agreement.

25 With the Court's permission, I will hand it up.

1 (Document given to Court and Counsel.)

2 And the Court, if you were to compare it to the
3 ultimate agreement, which is at Exhibit M to our motion, you
4 will find it is in exactly the same form, the same kinds of
5 font, the headers and the footers on that document are
6 identical. I will get into the analysis of that agreement in
7 a few moments.

8 After that draft agreement was exchanged, CSIRO had
9 a discussion with IBM. We don't know exactly what was said,
10 but we have a letter -- we have a letter that CSIRO wrote to
11 IBM that says, based on your discussion we understand that you
12 have a problem with the intellectual property rights clause;
13 so based on our discussion, we are going to change that
14 agreement and give you unencumbered rights in the
15 deliverables. We are going to take the shackles off and give
16 you everything that there is.

17 THE COURT: I probably should know this, but tell me
18 what you mean by "deliverables."

19 MR. CORDELL: Very good, Your Honor. If you go to
20 the next slide at Slide 5, the contracts set forth two very
21 specific deliverables. And the deliverables themselves are
22 actually in our motion. It was a very, very thick technical
23 specification. There were two of them that were given. One
24 was in March of 1993 and the other was in April of 1993.

25 They were detailed specifications that described

1 exactly how the process worked. And CSIRO has admitted that
2 in those deliverables, in those detailed specifications, every
3 single element of the '069 patent claims are disclosed.

4 So this isn't a case where we are arguing about
5 whether the thing included all of the patent or not, which we
6 often do in these cases. We are arguing about whether an
7 invention assignment was operable because the person's job
8 wasn't close enough to a particular patent.

9 We don't have any of the technology issues in this
10 particular case because CSIRO has admitted that the
11 deliverables that they made to IBM contained all of the '069
12 patent, but it is a very extensive specification.

13 THE COURT: All right.

14 MR. CORDELL: And I believe it is Exhibit M --

15 Somebody check that.

16 THE COURT: Okay. Go back to your timeline.

17 MR. CORDELL: Exhibit E, I'm sorry, Your Honor.

18 Exhibit E.

19 So at Page 6 of our motion, for example, we have a
20 block diagram represented from the deliverables that show each
21 of the elements of the '069 patent as delivered to IBM.

22 Importantly, IBM in early 1994 abandoned the
23 wireless market. They decided that -- they had a new CEO come
24 in, and they decided they ought to go on and do other things.
25 So they left this business.

1 One of the things that CSIRO keeps pressing us on
2 is, why hasn't IBM complained? And the answer is simple, IBM
3 moved on. They have forgotten about this. And because all of
4 this is filed under seal, I don't think anybody has told IBM
5 about it. But it would be keenly interesting to find out how
6 they would react. But let's go into the contracts
7 themselves.

8 If I can have Slide 6.

9 We have had some debate on this motion between --
10 primarily between our respective Australian Counsel -- both
11 sides went out and hired some Australian lawyers to advise us.
12 And the only thing that seems to have come with that is that
13 the Australians look at the so-called fact matrix. They look
14 at the surroundings of an agreement to make sure everything is
15 appropriate.

16 I don't think it is widely different from what we do
17 here in Texas or in the United States generally, but they do
18 look at other parts of the agreement. They look at the
19 factual context. So we look at the other recitals in the
20 agreement to see what the purpose and intention of the
21 agreement was.

22 At Slide 6 we quote the fact that one of the primary
23 recitals was to give the client -- in this case IBM -- give
24 the client certain rights identified as project technology
25 rights, according to the terms of this agreement. It was one

1 of the primary purposes to transfer rights.

2 We look at Section 6 of the agreement at Slide 7.

3 And very straightforwardly in plain black and white language
4 they tell us CSIRO hereby assigns or grants to the client,
5 ownership of and intellectual property rights subsisting in
6 the deliverables.

7 They didn't pull any punches. They didn't carve
8 anything back from that particular phrase. They said you get
9 the intellectual property rights subsisting in the
10 deliverables. Plain and simple. There is a reason we write
11 these things down is to keep us from having to debate what
12 people really meant and what they were really thinking. And
13 here we have a very straightforward recitation.

14 The assignment is tied directly to the
15 consideration. It says subject to receipt by CSIRO of the
16 contract fee. So this assignment doesn't take place unless
17 the money comes in. Other parts of the agreement are premised
18 on IBM paying money, but this one says CSIRO has actually got
19 to receive it. There have been no problems in transmission
20 whatsoever. And the assignment is automatic, Your Honor.
21 There is no additional executory covenant necessary to
22 transfer those rights.

23 The contract further defines intellectual property
24 rights at Slide 8 --

25 THE COURT: Where is the assigning language in the

1 agreement?

2 MR. CORDELL: Yes, Your Honor. The operative
3 covenant is, CSIRO hereby assigns or grants to the client --

4 THE COURT: All right.

5 MR. CORDELL: -- ownership of and intellectual
6 property rights subsisting in the deliverables.

7 THE COURT: All right.

8 MR. CORDELL: The intellectual property rights are
9 further defined to include patents. At Slide 8 we quote one
10 of the definitions. And they specifically call out
11 trademarks, patents, circuit layouts, copyrights, and
12 designs.

13 CSIRO has taken the position that this contract only
14 somehow transferred copyrights. Well, that would make no
15 sense, Your Honor. Why would they then enumerate --

16 THE COURT: What was CSIRO getting in exchange for
17 this broad conveyance?

18 MR. CORDELL: They were getting two very important
19 things; they were getting \$100,000, Australian dollars,
20 100,000 Australian dollars at a time when nobody knew whether
21 this was worth anything. So they were getting a significant
22 sum of money.

23 And then, number two, they were getting IBM's help.
24 They were getting IBM's technical assistance, but more
25 importantly they were getting IBM's sponsorship of this

1 technology. We have evidence, and I will show you in a
2 moment, where CSIRO's own witnesses said we had to have IBM.
3 They were a key to this because people understood they were a
4 market leader in technology. They would be able to promote
5 it. So that consideration was very, very profound, and it is
6 why they sought out IBM.

7 I will also show you that CSIRO sought out many
8 technology companies at that time, none of which, none of
9 which would give them anything for this; wouldn't give them
10 \$100,000, wouldn't promise to help them. It was done of it.

11 There was a carve-out, and I will dwell on this just
12 briefly at Slide 9. There was a carve-out that CSIRO took
13 back. They said we are going to give you all of the
14 intellectual property rights except for three things. That
15 carve-out we have got highlighted at the bottom of the slide.

16 One had to do with something called gallium
17 arsenide-based passive and active components. Mercifully,
18 none of that is relevant to anything that we are talking about
19 here. Gallium arsenide is an alternative to silicon used as a
20 semiconductor. It is one of the early semiconductors that was
21 developed.

22 Number two is an Australian provisional patent
23 application, and that was the one we thought they might point
24 to for priority on the '069 patent, but they told us now
25 unequivocally that that provisional application is not, is not

1 the priority document for the '069 patent.

2 And then the third is an Australian patent
3 application that is important because it is a PCT, Your
4 Honor. It is a patent application that was filed all over the
5 world. And one of the arguments that CSIRO makes is that this
6 transferred only Australian rights. If that were true, there
7 would be no reason to reserve this PCT application that was
8 filed in the United States, all over Europe, Japan, and
9 Korea. But the subject matter of that application is not
10 particularly relevant.

11 So at Slide 10 we show what the overall contract
12 looks like if you were going to put it on a diagram. They
13 transferred all of the intellectual property rights subsisting
14 in the deliverables and then they reserved those three items;
15 the gallium arcenide, the provisional and then the PCT
16 application. Those were the carve-outs.

17 We believe it is an integrated document. We believe
18 that the Court can apply this in the four corners of the
19 papers and not have to go any further. But I acknowledge that
20 the Australian Counsel have had a debate about this thing
21 called the fact matrix. I want to look at the surrounding
22 circumstances. I don't think it quite rises to the level of
23 parol, but they look at the overall context of the agreement.

24 If that is appropriate, Your Honor, I would like to
25 show you the draft history because I think it is compelling in

1 this case.

2 THE COURT: All right.

3 MR. CORDELL: So we start at Slide 11 with the
4 December 21 draft. That was in the document that I handed out
5 a few moments ago.

6 MR. WAGSTAFFE: Your Honor, may I note for the
7 record that this is not part of the papers, and they objected
8 to parol evidence in their papers here?

9 THE COURT: Okay.

10 MR. CORDELL: So in the document that I have handed
11 up, Your Honor, which for the record is Bates CSI-0014184 --

12 THE COURT: Wait a minute. Let me be sure I
13 understand. What you are getting into now are the surrounding
14 facts regarding entering into this agreement?

15 MR. CORDELL: Correct. It is the draft history in
16 particular, the draft right before the final one.

17 THE COURT: Okay. And what is your objection?

18 MR. WAGSTAFFE: Your Honor, we submitted
19 declarations from the people that actually negotiated both
20 sides, and said we never intended to give any patent rights,
21 as I will argue. And then Page 9 of their reply brief they
22 said that is extrinsic evidence, don't consider it. Their
23 expert says under Australian law, which governs this contract,
24 you don't consider extrinsic evidence.

25 I am seeing it here today, never having presented a

1 paper. For the record, this is not the way we are supposed to
2 do things. Their own expert says look at the terms of the
3 contract --

4 THE COURT: You are saying this has never been
5 presented to you until today?

6 MR. WAGSTAFFE: Counsel can correct me if I am
7 wrong, this is not part of their papers, this history is not
8 part of their papers; and on Page 9 of the reply, consistent
9 with their own expert -- and, frankly, ours -- they said
10 generally in Australian law you don't look to parol.

11 MR. CORDELL: It is correct, Your Honor. This is
12 the first time we have presented this particular document
13 because I simply wasn't aware of it until we prepared for the
14 argument. However, we are entitled to rebut the parol
15 statements they make. It is all extrinsic, I would admit
16 that, but I wouldn't necessarily characterize the draft
17 history as parol because it does show the progression of the
18 parties as they came to a meeting of the minds.

19 THE COURT: Well, I may hear that or I may allow
20 supplemental filing or something, but let me hear what their
21 response is before we get down to this level of history.

22 MR. CORDELL: Thank you.

23 MR. WAGSTAFFE: Thank you, Your Honor.

24 Let me simply say that we start with the notion of
25 where we are today right before trial. Your Honor has

1 correctly noted in a prior case, you consider it as a Rule
2 12(b)(7) concept. Do we have to join this other party as an
3 involuntary plaintiff? It's a joinder argument. That is how
4 the case law deals with it. We have cited case law that deals
5 with it that way. It's a joinder argument.

6 Even when courts talk about a standing, they mean
7 prudential standing. My client clearly has constitutional
8 standing. We have injury in fact. No question there. Their
9 papers suggest we are a co-owner.

10 So their position would be, number one, that if a
11 co-owner -- and we will talk about that is not the case
12 here -- but a co-owner wants to not appear or doesn't appear,
13 that would destroy my client's ability to go forward.

14 More importantly, Your Honor, if it is, in fact, as
15 Your Honor has indicated in prior rulings, as the case law
16 supports, a joinder issue, it can be waived. They have had
17 this contract, this IBM contract for over two years.

18 They had it, by the way, Your Honor, when they filed
19 their amended complaint in this case. The good or bad news of
20 parachuting in once in awhile and you see me, Your Honor, from
21 California, is I read things like their complaint, the first
22 amended complaint filed long after they got this contract.
23 May I read it? It is very short.

24 Paragraph 10, this Court has subject matter
25 jurisdiction pursuant to 28 USC, Section 1331 and 1338. They

1 have acknowledged that. But, Your Honor, they will say, well,
2 you can't waive subject matter jurisdiction. I understand
3 that. The case law we submitted says this is simply a joinder
4 issue.

5 But there is something more fundamental, Your Honor,
6 that gets us started and it says we have to go any further.
7 You can't raise this issue a few weeks before trial having
8 known about the issue.

9 Something more fundamental, Your Honor, of course,
10 is they are making an unprecedented argument. They have read,
11 as they said on their last screen -- perhaps, we can put the
12 last screen up.

13 Can you help me there, the one -- 6.1.1.

14 Your Honor, if you look at 6.1.1 they say at the top
15 it is unambiguous, and it says that CSIRO hereby assigns or
16 grants to the client ownership of and intellectual property
17 subsisting in the deliverables. Your Honor, this is well
18 before the '069 patent. Subsisting means existing. The
19 evidence, both by way of the definition of the terms, means
20 what patent rights were existing? Not future patent rights.

21 And it defines patent rights in a way that talks
22 about statutory patent rights. And Your Honor's concern about
23 is this Australian only, our expert tells us the word
24 "statutory" means since the contract was governed by
25 Australian law between two Australian entities in which they

1 carve out the only existing patent right that exists, which is
2 the provisional Australian patent, Your Honor, this would be
3 an unprecedented argument.

4 Every case they have where they say co-owners have
5 to both be here, everyone involved in assignment that assigned
6 the invention, it assigned the invention, there is not a
7 single case they cite that is this clause that assigns
8 intellectual property rights in a written document conveying
9 ownership of the invention.

10 THE COURT: But it says intellectual property --

11 MR. WAGSTAFFE: It does.

12 THE COURT: Subsisting --

13 MR. WAGSTAFFE: Subsisting that exists now, that
14 exists now that are statutory; and, Your Honor, that are
15 subsisting in the deliverables.

16 Your Honor asked a good question, what are the
17 deliverables? The contract tells us. It describes them as
18 two documents. There is not a case out there in which a
19 research agreement that provides some documents, has
20 intellectual property rights subsisting in it.

21 But, Your Honor, there is something -- and I am
22 happy to give you my whole argument, if you like. I am happy
23 to also wait for their argument and walk you through the terms
24 because the terms of this agreement don't comply with the
25 argument they are making, even if they could make it three

1 weeks before trial. I am happy to let them finish and
2 respond.

3 THE COURT: Well, are you through responding to what
4 they have said other than the surrounding circumstances?

5 MR. WAGSTAFFE: No, Your Honor. I can take you
6 through the actual document itself, both the terms and the
7 terms that make no sense at all if you interpret it their way.
8 I am happy to do that.

9 THE COURT: All right. I would be interested in
10 seeing, if you will turn to what Mr. Cordell quoted from the
11 deliverables, as representing all of the elements of the '069
12 patent and what your response is to that.

13 MR. WAGSTAFFE: Thank you, Your Honor.

14 Let's start with -- because context -- parol they
15 say is admissible. I understand that. The context is. Let's
16 start with the actual title of the document. The title of the
17 document is Contract Research Agreement For Preliminary Design
18 Phase. The very title of the document tells you what was
19 going on here. For a fairly small sum they were going to
20 engage in some preliminary research that would produce some
21 documents.

22 There is no conveyance of a patent in the title, for
23 starters. If we go -- as I said, Your Honor, without
24 repeating myself, they specifically used the word
25 "subsisting"; that is, what rights exist now, intellectual

1 property rights exist in the deliverables? We know that it,
2 therefore, doesn't apply to future patent rights because every
3 case they cite is dealing with trying to clarify that, if that
4 is what they wanted. Or worldwide patent rights or otherwise.

5 And, frankly, Your Honor when it says subsist in
6 the deliverables, the patent right itself does not exist in
7 the written document. That is simply a report. It is simply
8 a report.

9 Now, Your Honor, the parties did, however, want to
10 make sure that people didn't misinterpret this. So, Your
11 Honor, in Paragraph 6.2, almost virtually the next paragraph,
12 they -- in describing what was assigned, they make clear they
13 are not assigning things that are described in the background
14 technology.

15 So if you look at 6.2, the client IBM Australia
16 argues that -- acknowledges and agrees that it shall not,
17 under this agreement, obtain any rights, including but not
18 limited to intellectual property rights subsisting in the
19 CSIRO background technology.

20 So, they want to make clear that if there are some
21 patent rights that exist -- that exist; not may exist -- or in
22 the future, they want to make clear that we are not getting
23 that over.

24 If you, therefore, then look to the definition as
25 they put on the screen, Your Honor, of that background

1 technology, the only existing patent right that existed at
2 that time --

3 THE COURT: Where is the background?

4 MR. WAGSTAFFE: That is on Page 13, Your Honor, of
5 the schedule.

6 MR. CORDELL: Your Honor, if I can interrupt, I
7 believe that Mr. Wagstaffe hasn't handed up the actual
8 agreement. I do have the final agreement.

9 THE COURT: What am I --

10 MR. WAGSTAFFE: It is attached as Exhibit A to Mr.
11 Heit's declaration.

12 THE COURT: Excuse me. What am I looking at here?
13 Is this the draft agreement?

14 MR. CORDELL: That is the draft, Your Honor.

15 THE COURT: Okay. Let me see the final agreement.
16 I have probably got it here somewhere.

17 MR. WAGSTAFFE: Yeah, if you have Mr. Heit's
18 declaration, Your Honor, it is Exhibit A to his declaration.

19 MR. CORDELL: I apologize, Your Honor. I should
20 have handed them both up.

21 MR. WAGSTAFFE: It is of the agreement itself.
22 There are some incorporated -- this is at Page 13 which
23 describes the schedule.

24 THE COURT: All right. Just a minute.

25 (Pause in proceedings.)

1 MR. WAGSTAFFE: Do you have that, Your Honor, where
2 it says, CSIRO Technology?

3 THE COURT: Not yet.

4 MR. WAGSTAFFE: I'm sorry, Your Honor.

5 THE COURT: I was back on 6.2. So you are at
6 Paragraph 13?

7 MR. WAGSTAFFE: It is on Page 13 of the agreement.
8 It is Bates 14308 down at the bottom.

9 THE COURT: Background --

10 MR. WAGSTAFFE: And it says, The Schedule, at the
11 top.

12 THE COURT: All right. CSIRO Background Technology.

13 MR. WAGSTAFFE: Correct.

14 THE COURT: All right. Go ahead.

15 MR. WAGSTAFFE: And this is the background
16 technology that is excluded from any possible suggestion that
17 IBM Australia is getting this for this very small research
18 fee. And they exclude the only existing patent right at that
19 time. They exclude, among others, Paragraph 2, the Australian
20 patent application.

21 THE COURT: And remind me, the Australian
22 provisional application, where was that in the development of
23 the technology of the '069 patent at this time?

24 MR. WAGSTAFFE: Well, the '069 patent was later, in
25 terms of being filed. But the Australian provision --

1 THE COURT: I'm talking about the technology of --

2 MR. WAGSTAFFE: Yeah, it does. The same basic
3 invention -- and it presumes under Australian law further
4 development, and it is carved out. And we are not relying on
5 the provisional for priority because of the U.S. written
6 description requirement.

7 But, Your Honor, the only patent right that existed
8 at that time, because the '069 is down the line, it is a
9 future patent application. The only one is the provisional
10 Australian patent. And the parties carve it out.

11 Now, Your Honor, think about it, if I may, the
12 parties carve out the one existing or subsisting patent right,
13 yet their argument is that for this small fee that never
14 discusses this, they got the worldwide patent rights in the
15 future forever and yet carved out the Australian provisional
16 patent. It doesn't make any sense, as I see it.

17 THE COURT: All right. Let me ask you this: If the
18 elements of the Australian provisional patent application were
19 excluded, then what was included --

20 MR. WAGSTAFFE: That's a great question, Your Honor.
21 Let me answer that.

22 The first thing is, is that the contract itself --
23 copyright rights were included. I will say that. When you go
24 to the definitions, Your Honor, where they want to rely on
25 patent and trademark and copyright subsisting in the

1 deliverables, at the very beginning of the definition it says,
2 these definitions will apply unless the context requires
3 otherwise.

4 THE COURT: Where are you reading from?

5 MR. WAGSTAFFE: That is on Page 3 of the contract,
6 Your Honor.

7 THE COURT: What paragraph?

8 MR. WAGSTAFFE: Paragraph 1, first sentence. So the
9 writer said, these are our definitions in this frankly formed
10 contract, but it defines -- it says unless the context
11 requires otherwise. So let's figure out why it does, Your
12 Honor. And the parties did not transfer these rights.

13 If you ask yourself what intellectual property right
14 could subsist in the deliverables, these documents that simply
15 describe research, what consists, the copyright rights subsist
16 in them, no question about that. And Your Honor knows
17 copyright law. The copyright is created, and that is assigned
18 and granted over to IBM for the purpose of letting them share
19 these deliverables with their related companies. That is
20 right there in the contract.

21 That is why they wanted the copyright so to be sure
22 they could have an unencumbered right to share the
23 deliverables with their related companies. We will see in a
24 moment they weren't allowed to share with anybody else.

25 Now, Your Honor, trademarks wouldn't be in the

1 deliverables, yet that is an intellectual property right. It
2 is term that is there in the definition that, in context,
3 doesn't apply.

4 As I will show you in a moment, Your Honor, not only
5 due to the carve-out but due to the language of the agreement
6 and its context, patents weren't part of these written
7 documents. Patents weren't subsisting at that -- patent
8 rights to the American patent board subsisting the document.

9 So you say, well, is the word "patent" meaningless?
10 But that is an interesting argument. But there is a response,
11 Your Honor. We just went through why the word "patent"
12 matters, because the intellectual property rights that exist
13 in the background technology, which is clearly a patent right,
14 would have to be carved out.

15 So in this situation you ask yourself does the
16 context of this agreement tell us that they were transferring
17 a major patent -- future patent right to -- as a result of
18 this research contract? And so we start with what it is, Your
19 Honor. It is a preliminary research contract. That is what
20 it says. It is a three-month preliminary research project
21 conducted by CSIRO for the limited purpose of the research.

22 THE COURT: It was three months in duration?

23 MR. WAGSTAFFE: Three months in duration.

24 And, Your Honor, they weren't silent. You asked a
25 good question also about consideration. They weren't silent

1 about consideration, because the proposal that was
2 incorporated by reference and accepted here, describes exactly
3 what they were paying for it. It describes that.

4 And, Your Honor, we looked at that page before.

5 Excuse me, this happens to be in the -- what is Attachment 1.
6 Your Honor, my kids are grown up. I probably should have had
7 PowerPoints.

8 But, Your Honor, in Attachment 1, which is Bates
9 14344, so it is Page 5 of the proposal, they tell us both what
10 deliverables are and they tell us what they are paying for it
11 and what schedule. This is a research project for three
12 months that they described. And I quote the agreement, small
13 scale research project; preliminary research project.

14 And on that page they tell us that the deliverables
15 are these documents for the initial results. And then right
16 below it tells us what they are paying for and what schedule.
17 They are paying two payments, and they describe what they are
18 for. They are for the deliverables. There is not one dollar
19 in this contract that reflects patent rights. It is for the
20 written documents as described right there. For the research.

21 Now, Your Honor might say, what were they buying?
22 Well, the agreement tells us what they were doing. It not
23 only said it would be limited in duration, they write that no
24 party -- Your Honor, I don't mean to keep shifting you around,
25 but that is the way the contract goes.

1 On Page 5 of the agreement itself, that's Page 5,
2 which is -- I am looking now at -- particularly at Paragraph
3 3. Paragraph 3 sets forth, if anybody had any mistakes about
4 it, it sets forth that neither party is nor shall be by reason
5 only of entering into this agreement under any obligation to
6 the other party to enter into any other agreements whether
7 contemplated by this agreement or otherwise.

8 This was a first look. It was for a small amount of
9 money to give some written documents and research. Did not
10 transfer the patent. Expressly carved out the one subsisting
11 patent right. And the party said it is solely preliminary;
12 and if we want to have any future agreements, we will
13 negotiate them.

14 This is a pre-design phase, a development phase.
15 This is let's see if it is something that IBM Australia wants
16 to help us commercialize. This contract happened, and this
17 contract went away. But as the parties summarized it, it was,
18 in fact, understood that there might be no further agreements;
19 and we are going to see whether for this relatively small sum
20 we are going to want to go further, and they didn't.

21 And the definition of "deliverables" describes it as
22 preliminary, describes it as initial; and we know that
23 context.

24 But, Your Honor, sometimes we know -- as Groucho
25 Marx says, you believe me or your own two eyes. Let's look at

1 the other terms of the agreement and ask ourselves whether
2 this was something that it did not appear to be. And, by the
3 way, if they want parol, Your Honor, there is plenty of parol
4 that is submitted by us in the record that is properly before
5 you, which is the negotiators on both sides testified in our
6 declarations, transfer of patent rights, no way. This was a
7 preliminary design agreement --

8 THE COURT: This includes declarations by IBM --

9 MR. WAGSTAFFE: It does. David Bantz, who was part
10 of the negotiations and part of the very exhibit they did
11 submit to the Court --

12 THE COURT: Is he still part of IBM Australia?

13 MR. WAGSTAFFE: He is not, Your Honor. And they
14 will say he is on our side, which we -- you know, Your Honor,
15 whether that is the case or not, it is the only evidence
16 before you on that point.

17 THE COURT: Is IBM Australia, to your knowledge,
18 aware of this motion?

19 MR. WAGSTAFFE: I don't know that, Your Honor,
20 personally. I don't know.

21 THE COURT: All right.

22 MR. WAGSTAFFE: But, Your Honor, if we look at the
23 contract itself, the contract has a strict confidentiality
24 clause. I can walk you through it, but trust me, it is a
25 strict confidentiality clause.

1 And it says that as to the information being given
2 over, these deliverables, that IBM Australia must keep it
3 absolutely confidential. That includes the written reports,
4 absolutely confidential, with the exception they carve out an
5 exception, which is, but you can share it because you have got
6 the copyright, you can share it with your related companies
7 only.

8 I want to ask ourselves this: If we transferred the
9 entire worldwide future patent rights that would require this
10 confidentiality and IBM Australia got it for this \$100,000
11 preliminary fee that is not described as a patent fee, how
12 would they be keeping it confidential under these
13 circumstances when my client under their theory would have
14 retained no interest in the assigned future patent rights?

15 But that is not only what they have, Your Honor.
16 Because, in fact, 6.1.1, the very contract clause they want to
17 rely on, specifically says -- if you will look at it, Your
18 Honor, it has got not only subsisting, it has got not only
19 statutory, and not only to the written documents, it is
20 subject to the obligation of confidentiality. It is subject
21 to the confidentiality clause.

22 It would be absurd to suggest that the parties would
23 have intended obliquely and apparently accidentally to
24 transfer major future patent rights and yet have the
25 confidentiality clause that gets us there.

1 Your Honor, there is more. Paragraph 22.1, which is
2 on Page 10 of the agreement, addresses a question you asked.
3 Page 10 of the agreement does, in fact, deal with the question
4 of assignment. And it says, with the exception of 6.1.3
5 allows them to assign things -- the copyright to related
6 companies. It says, a client shall not assign, charge, offer
7 for security, or in any way deal with its rights under this
8 agreement without the prior written consent of CSIRO, which
9 consent CSIRO will not unreasonably withhold.

10 Well, that makes sense for the copyright which would
11 subsist in the written documents. It would be utterly
12 incomprehensible if they get the entire future patent rights
13 across the world with nothing in this agreement giving my
14 client any license rights, and nevertheless my client gets to
15 approve any assignments of the patent rights. That makes no
16 sense. It makes sense on copyright. It makes absolutely no
17 sense if it is truly a transfer of patent rights.

18 Your Honor, if you excuse me for being like a Ginsu
19 knife ad and say there is more, but if you turn -- and I will
20 not belabor this because there is plenty of them, but on
21 Paragraph 14 on Page 7, there is an indemnity clause. That is
22 not uncommon when you are giving over rights. Make sure you
23 are giving them to me. Make sure you hold them. The
24 indemnity clause, you will see there, Your Honor, only
25 provides indemnity for actions brought against IBM Australia

1 in respect to any infringement of copyright in the
2 deliverables however arising out of the client's exercise of
3 rights under this agreement.

4 Perfectly sensible if in context they are
5 transferring the copyright rights in the written document, as
6 would make sense because they exist upon creation. It makes
7 no sense, so exclude patents because that would be a term that
8 would -- if you were transferring all of the worldwide future
9 patent rights and you want to make sure you are giving me
10 something you actually own, then you give them the indemnity.
11 They do not put the word "patent" in here because it was not
12 part of their agreement.

13 So, Your Honor, the terms of the agreement itself,
14 subsisting meaning now, carving out Australia -- the only
15 existing patent rights, no patent rights subsist in written
16 documents; and, and the context of the agreement at a macro
17 level also tells us that this isn't what the parties could
18 have intended.

19 And, Your Honor, they want to say, until their last
20 brief, we're probably co-owners. Now they are suggesting a
21 footnote in the last brief maybe they are the only owners.
22 But that is very interesting.

23 Your Honor, if you will travel one more line with
24 me, it'd be 24.1, which is on Page 10. Page 10 with Paragraph
25 24.1 specifically says, CSIRO and IBM Australia agree that the

1 relationship between them is that of independent contractor --
2 that is a research assignment -- and not that of agency,
3 partnership, joint venture, or otherwise. They are not
4 co-owners by their own discussion point. No one ever thought
5 they were. And, in fact, they weren't.

6 Your Honor, let's imagine for a moment that IBM
7 Australia really thought they were buying this, and that Mr.
8 Bantz, who was in negotiation, is just our paid cad to say
9 something. Let's assume that. You asked about whether IBM
10 knew about it, but IBM itself was contacted by my client in
11 2003 and given notice of the patent; and, you know, that
12 process took place, there is not one word that IBM said, you
13 own a patent? We own the patent.

14 There is a reason they didn't say it, if I may say
15 so, Your Honor, is because they knew they didn't own the
16 patent in the context of this agreement. So this joinder
17 argument raised at the -- it's not even the eleventh hour,
18 Your Honor. It is like the thirty-fourth hour of the day
19 because we have been through a couple of cases already. An
20 awful lot of fine lawyers, very fine lawyers who knew about
21 this agreement; and it has never been raised until now.

22 That may mean something. It may not. But I think
23 it means something in the sense that very skilled lawyers and
24 very skilled parties and IBM itself knew that that is not what
25 this was, for \$100,000 they got this valuable patent right.

1 And that, Your Honor, is why I think the delay is so
2 very revealing because the delay -- I am not going to
3 criticize cleverness. I am simply going to say that is not
4 what the agreement says. That is not what it means in
5 context. And if Your Honor does look at parol and they tell
6 us you can't -- and I understand that -- the negotiators say
7 that is not what we meant in context. That is the --

8 THE COURT: Okay. Response? We have spent an hour
9 on this one motion.

10 MR. CORDELL: I'm sorry, Your Honor.

11 THE COURT: I hope it is that important.

12 MR. CORDELL: I think it is, if it is worth
13 anything.

14 I would first like to begin with the notion that
15 there wasn't anything significant in this project. I mean the
16 facts absolutely don't hold that up. I am holding in my
17 right-hand Exhibit N, which is the Flying Fox Specification
18 that existed at CSIRO before the project. And the Court can
19 review it at its leisure, but it is a very sparse document.

20 I am holding in my left hand Exhibit E, which are
21 the deliverables, which are hundreds of pages long. These are
22 double-sided. Hundreds of pages long with very, very detailed
23 specifications of exactly how this circuitry should work. And
24 the excerpt in our brief is at CSI-0009712 that has a figure
25 in there that would be very familiar to the Court because it

1 looks a lot like what is in the '069 patent.

2 It is absolutely a misstatement to suggest that the
3 deliverables here were not part and parcel exactly what we are
4 talking about in this technology, exactly what they were paid
5 to develop and deliver to IBM. It is a little bit like a
6 Government contract; that when you make a deliverable to the
7 Government, you give them the intellectual property rights
8 that go along with it. That is part of our law. In this case
9 this was done by contract rather than by operation of law.

10 I took as good of notes as I could, so I will try to
11 address them as quickly as I can.

12 The idea that these were statutory rights that
13 somehow didn't exist, is also incorrect. The deliverables,
14 when the contract was signed in January of 1993, were still a
15 future event. All of this is in the future. It is -- it
16 doesn't advance the analysis at all to suggest there were
17 rights that would come into being afterwards. Of course,
18 there were rights that would come into being.

19 But patent rights, statutory rights in this country
20 arise as of the date of conception, not when they are
21 perfected in the Patent Office. It is true that you have to
22 go through each of those stages, but it is a misstatement to
23 suggest that patent rights, any less than copyrights exist
24 upon creation. They both exist upon creation. They are
25 statutorily-recognized rights. So you can't simply say that

1 because they may be perfected down the line, that that somehow
2 defeats the assignment because the cases say otherwise.

3 The subsisting issue. We have got a number of
4 citations in the slides talking about subsisting. So I would
5 like to advance to that quickly, if I can.

6 Subsisting is used twice --

7 If I can have Slide 19.

8 -- it is used twice in the actual contract. The
9 first time is in the grant clause that we talk about; that
10 they assigned all of the intellectual property rights
11 subsisting in the deliverables. The second time is when they
12 were doing their carve-back. When CSIRO was saying, wait a
13 minute, we don't want to give you everything. We are carving
14 out all the intellectual property rights that subsist in the
15 background technology.

16 And CSIRO readily admits that means all of the
17 statutory rights that were associated with the background
18 technology. Any patents on gallium arsenide technology. Any
19 patents that arise out of the provisional or the PCT
20 application. The provisional, Your Honor, is not an
21 enforceable right of any kind. It is a priority document.
22 That's all it is. You can't sue somebody on a provisional.
23 You can't enforce a provisional.

24 All you can do is refer back to it and say, aha, you
25 see that proves I knew something as of a particular date.

1 That is its only function in the world. So it is yet another
2 example of rights that may arise in the future -- or be
3 perfected is probably a better phrase. They subsist in the
4 provisional because they can be perfected.

5 And nobody disputes -- CSIRO doesn't tell us that
6 somehow the clause using the word "subsisting" quoted at the
7 bottom half of the slide was ineffective to pull those rights
8 back.

9 It makes no sense, Your Honor, it makes no sense to
10 suggest that this contract did not, did not transfer all of
11 the patent rights, because if that were true, if CSIRO's right
12 that this contract transferred nothing, why would you need to
13 claw back the provisional application? Why would you need to
14 claw back the internationally-filed PCT? Why would you need
15 to do these reservations if all you were doing was
16 transferring merely the copyrights? Why do you bother listing
17 out the patents that you say have to be carved out of the
18 corpus that was assigned?

19 The big VENN diagram that we put on the board.
20 There would be no reason to talk about patents. There would
21 be no reason to do that reservation.

22 At Slide 20 there is another use of the word
23 "subsist"; and it in the attachment to the agreement. It is
24 in the confidentiality agreement. And in that confidentiality
25 agreement it recognizes that there is no license granted --

1 and this is at Slide 20 -- in the patent or copyrights that
2 subsist in the information that is given. So they recognized,
3 the parties did, that, in fact, patents can subsist in that
4 information.

5 Let me touch on the idea that this was preliminary
6 research that IBM didn't value. Your Honor, it is exactly
7 correct that Dr. Bantz is an expert they have retained, and he
8 is on their side of the case. I take the man at his word in a
9 lot of ways; however, at Exhibit D to our motion we quote his
10 expert report, we present his expert report.

11 In his expert report he says right out loud that he
12 was only peripherally aware of the agreement. This is at
13 Exhibit D, Page 9. I will read it. The reply further refers
14 to contractual discussions between CSIRO and IBM of which I
15 was peripherally aware but not necessarily a direct
16 participant. His own testimony suggests that he didn't know
17 exactly what was happening there.

18 THE COURT: Mr. Cordell, let me stop you a second
19 and ask you, if you are correct on this, where does that leave
20 us?

21 MR. CORDELL: It is very simple. Counsel suggested
22 that there might be some decision that the Court could make
23 about prudential standing and that it could be waived. That
24 is not my reading of the law. It means we have to dismiss the
25 case. It means that CSIRO perhaps, if the Court chose to

1 dismiss it without prejudice, could join IBM and refile the
2 case. That would be a possible outcome. But they would --

3 THE COURT: After all this work and on the eve of
4 trial?

5 MR. CORDELL: I understand it is inefficient. I
6 wish we had come to it much sooner. I am not disputing that.
7 I may have to explain this to others, the fact that we didn't
8 come to it earlier. It may be something that's difficult for
9 me to explain.

10 THE COURT: Okay. Anything further?

11 MR. CORDELL: Could I just touch on the draft
12 history, because we heard a lot about parol. I think I am
13 entitled to rebut some of that.

14 THE COURT: Is this before the Court?

15 MR. CORDELL: It is in that we have got the
16 documents there, and we have got a letter that talks about the
17 change that was made. And so what is not before the Court,
18 but I will be sure to make a supplemental filing if the Court
19 will permit it, is the original draft. So there is just one
20 piece of the puzzle missing.

21 THE COURT: All right. But do make a supplemental
22 filing. And if CSIRO wishes to make a supplemental response
23 filing, they can.

24 MR. CORDELL: Thank you, Your Honor. At Slide 11 we
25 start with the December 21 draft. The December 21 draft

1 transferred certain rights to CSIRO -- I'm sorry. CSIRO
2 transferred certain rights to IBM, but they were very, very
3 limited. They said, in fact, that CSIRO was going to retain
4 everything.

5 If we look at Paragraph 611, it says except as
6 provided in 612 all rights, including but not limited to
7 intellectual property rights subsisting in the deliverables,
8 shall vest in CSIRO.

9 So, originally, CSIRO was keeping everything except
10 what was specifically granted in 6.1.2. And what were they
11 talking about at that time? The December draft says they were
12 going to grant to IBM ownership of the deliverables, copyright
13 in the deliverables, and then a right to use information. So
14 really we were talking about copyrights and perhaps trade
15 secret rights at that point, but that was it.

16 Further in the contract at 6.1.4 they put a severe
17 restriction on what IBM could do with the technology. So at
18 Slide 12 we quote it. They say that, IBM, you can use these
19 copyrights and trade secret rights only for internal research
20 purposes -- right in the middle of the paragraph. Very, very
21 strict about what they could actually do with the information
22 and with the copyrights.

23 We then have a letter that is in the record, Your
24 Honor, at Slide 13, which is Exhibit B to Mr. Heit's
25 declaration on the motion, that references -- it is a letter

1 from Mr. Bantz to Drs. Percival and O'Sullivan. And it
2 references a telephone conversation at the beginning of the
3 letter.

4 It says, following that conversation we would like
5 to propose resolution to the intellectual property rights
6 issue. So there was clearly something between the parties
7 where they were discussing the intellectual property rights
8 and how to dispose of those rights.

9 He then says CSIRO will amend clauses 6.1.2 and
10 6.1.4 to provide unencumbered rights to IBM in the
11 deliverables and the information therein. They started the
12 position where they were giving them limited rights. Here he
13 says we are going to back away from that.

14 We then look at the final. And in the final at
15 6.1.1 CSIRO says they grant to IBM ownership of and
16 intellectual property rights subsisting in the deliverables.
17 No more limitations to copyrights. No more limitations to
18 trade secrets. All of the intellectual property rights as
19 defined as we have seen up above.

20 One thing that I thought was very, very significant,
21 Your Honor, is that they struck -- at Slide 16 they struck
22 6.1.4. It is gone. So no longer are they restricting what
23 IBM can do with their rights.

24 So at Slide 17 we put them side by side. Before,
25 they said you only get -- that all of the rights stay with

1 CSIRO, and you only get limited rights in the copyrights and
2 trade secrets. After the amendment they said you get all
3 rights to the intellectual property.

4 Your Honor, if I could make one more point -- and I
5 promise this is my last one -- there was a suggestion that the
6 provisional was not, was not that far off of the '069 patent.
7 CSIRO has admitted in responses to requests for admissions,
8 their RFA response number 16 says flatly that they admit that
9 the Australian provisional does not disclose every element of
10 any independent claim asserted in this lawsuit. This is as
11 clear as it possibly can be. That is at Exhibit P to our
12 motion.

13 If there are no other questions, I will thank the
14 Court for its attention.

15 THE COURT: Okay. Any final response?

16 MR. WAGSTAFFE: Very briefly. Every argument that
17 has been made, they had in documents two years ago.

18 Second, Your Honor, the reason -- you asked a good
19 question about jurisdiction. If they somehow think that IBM
20 Australia is going to be brought in and we are going to
21 dismiss it and start from scratch, what they are asking us to
22 do, start from scratch; and maybe if we can get IBM Australia
23 to agree or even if Your Honor has jurisdiction, that is why
24 it is waivable.

25 Your Honor, there are a lot of cases cited. Just

1 two quick last points. The one we cite is Source One. It is
2 a case in our brief. So it does a nice job of explaining why
3 this is waivable. It describes the various Circuit opinions.
4 I think it is a good way to get through it. It ought to be
5 waivable for obvious reasons.

6 And, *lastly*, Your Honor, the fact is if they are
7 going to look at parol, then the best parol is going to be
8 what the people negotiated said. That's the only parol we
9 have.

10 So thank you, Your Honor.

11 THE COURT: All right. Thank you very much. Motion
12 to dismiss is denied.

13 What is next?

14 MR. CORDELL: That would be the motion to realign,
15 Your Honor.

16 THE COURT: All right. I think I am going to pass
17 on that one for the moment. I would like to work through some
18 of these others first. We are going to be through by noon, so
19 y'all have burned an hour and 10 or 15 minutes of the morning
20 on one motion, so we need to pick it up a bit.

21 What is next after -- we will skip the motion to
22 realign.

23 MR. CORDELL: It would be the claim construction
24 motion.

25 THE COURT: Good. Let's get into those.

1 MR. CORDELL: Mr. Heit will present those for us.

2 MR. HEIT: Good morning, Your Honor.

3 THE COURT: Let me just state at the outset, and I
4 may be able to save you some time, but I do not really view --
5 the claim construction that was handed down a year ago in the
6 course of the trial, that opinion has not been entered in this
7 case. It is -- that was dealing with a specific issue
8 regarding mapping, which I don't think exists in this case,
9 does it?

10 MR. HEIT: Your Honor, I believe both sides have
11 litigated this case as if that order does apply.

12 THE COURT: I know you have, but I am saying I don't
13 think it does.

14 MR. HEIT: Well, Your Honor in Marvell's response --

15 THE COURT: I don't know why you took off thinking
16 it did when it hadn't been entered into this case. What is it
17 in this case that makes that order relevant? I know you both
18 try to spin arguments off of it, but I think the better thing
19 to do is just start over with the claim construction. Y'all
20 have got an issue. Let's deal with it.

21 MR. HEIT: Your Honor, one of Marvell's
22 non-infringement defenses would be similar to the ones --

23 THE COURT: Well, your non-infringement is running
24 right into your invalidity, isn't it? How are you going to
25 have it both ways?

1 MR. HEIT: Well, Your Honor, Marvell -- going back
2 to before the April 2009 orders, the construction was of the
3 DRE means with a half-rate TCM encoder.

4 And Marvell put forward non-infringement arguments
5 saying that a TCM encoder is not equivalent to the encoder
6 that Marvell uses in its WLAN products. And the arguments
7 would have been similar to the ones the defendants raised in
8 the April 2009 trial --

9 THE COURT: That it has to be a convolutional
10 encoder.

11 MR. HEIT: Well, Marvell's is not really a
12 convolutional encoder. Marvell will show in some of our
13 documents --

14 THE COURT: But they are saying it has to be, aren't
15 they?

16 MR. HEIT: I think CSIRO's position is that the
17 802.11 specification shows a particular type of convolutional
18 encoder. Marvell's encoder is quite unique.

19 THE COURT: It's a Reed-Solomon, right?

20 MR. HEIT: No, Your Honor, with respect to the
21 Reed-Solomon encoder, that is the encoder that is used in the
22 Harris modems, and CSIRO --

23 THE COURT: Okay. Right.

24 MR. HEIT: And CSIRO, to avoid the Harris modem art,
25 has, off of the April 2009 order, has said that order

1 specifically excluded Reed-Solomon encoders. And, therefore,
2 whether Reed-Solomon is a finite state encoder or not, there
3 is no -- under no reading of the April 2009 orders could a
4 Reed-Solomon encoder satisfy that.

5 What we have raised with you, Your Honor, the Court
6 looked to Column 9, Lines 36 to 46 which specifically call out
7 the Reed-Solomon encoder and the convolutional encoder. And
8 it was that disclosure in the '069 patent that allowed the
9 Court -- that the Court found highly relevant in making its
10 determination that a mapper was not part of the disclosed DRE
11 means.

12 And yet CSIRO and CSIRO's -- I took the deposition
13 of CSIRO's experts. CSIRO's experts chose not to read the
14 Court's reasoning in its April 2009 order, just ignored it.
15 They said I didn't think it was important. I read the Court's
16 order. I am just going to look at the Court's construction.
17 And allowed CSIRO to say, well, because I didn't read the
18 Court's reasoning, reliance on the Reed-Solomon encoders, I
19 can come up with what is best described as an extremely narrow
20 construction and say I am going to read out Reed-Solomon
21 encoders and, therefore, let me read out the Harris modem out
22 of this case.

23 And what Marvell has done --

24 THE COURT: Okay. Let's go to the claim
25 construction. I mean what -- I am setting aside the April '09

1 claim construction. I am not considering it part of the claim
2 construction in this case.

3 Is there a need from Marvell's part, for further
4 claim construction based on the August '08 and other claim
5 construction orders that have been entered in this case?

6 MR. HEIT: Well, Marvell is subject to the August
7 '08 claim construction.

8 THE COURT: Right.

9 MR. HEIT: Marvell was part of that.

10 THE COURT: Right.

11 MR. HEIT: So that stands. To go forward from that
12 Marvell would -- I mean, there are now an array of claim
13 constructions that we would have to deal with. To go forward,
14 if the mapper remains part of the structure, Marvell would
15 have the non-infringement argument that TCM includes mapper
16 and, therefore, Marvell's convolutional encoder, which does
17 not include a mapper, does not infringe for the reason related
18 to substantial differences between the disclosed DRE means and
19 Marvell's implementation of its encoder.

20 So that would be an issue. As the Court had its
21 hearing back in April of 2009 reconsideration, there was a
22 dispute between the parties, is that a question of fact that
23 should go to the jury? Or is that a question of law that the
24 Court should resolve as a matter of claim construction? The
25 Court found that was a matter of claim construction, and

1 resolved that issue by pulling the mapper out and said the DRE
2 means in the claims relates to FEC.

3 FEC, what is the FEC disclosed in the patent? FEC
4 only. And the Court looked at the Reed-Solomon encoder,
5 convolutional encoder, and that led naturally into the April
6 2009 trial where Gabe Luhowy and Dr. Wicker was able to put
7 forward the Harris modem and was able to show quite a
8 substantial showing of invalidity.

9 So, Your Honor, if we go back to April of 2008, I do
10 still think we are at a claim construction juncture --

11 THE COURT: What further construction from the
12 August 2008 opinion is Marvell asking for?

13 MR. HEIT: If Marvell needs to come forward and say
14 that based on Ungerboeck that TCM encoder is a combined
15 functionality and it is not just these two blocks that has a
16 FEC and a mapper, I think back to Buffalo that was the
17 original error that was committed back then, and it is a --
18 TCM is a specialized type of encoder, it is a specialized type
19 of encoder that is different than the convolutional encoder
20 and Marvell can put forward to the jury that the convolutional
21 encoder with Marvell's implementation of the encoder is
22 substantially different than a TCM encoder, then that is how
23 we would proceed, Your Honor.

24 Unfortunately, at this point our expert reports
25 don't say that. Our expert reports were based on what the

1 Court said in its April 2009 order. I don't know that it
2 would take us too long to go back to that state before the
3 April 2009 order; but that is how we would proceed, Your
4 Honor, and that is that a convolutional encoder, or Marvell's
5 implementation, is substantially different than this TCM,
6 which is a high -- you know, as disclosed at the bottom of
7 Column 9, top of 10, this system gets improved bandwidth.

8 How the improved bandwidth is achieved with TCM
9 encoders is very different than how bandwidth is addressed in
10 the 802.11 specification. And we put that evidence forward.

11 So if the Court goes back to before its April 2009
12 construction, I think Marvell would come forward with a
13 substantial non-infringement defense and would say that its
14 convolutional encoder is different than the TCM encoder.

15 THE COURT: Okay.

16 MR. JONES: Your Honor, I mean, you started out by
17 asking the question why do we behave as if the April 9th, 2009
18 order applied to this case. And I think what you have heard
19 from Mr. Heit kind of explains that.

20 They are making the exact same arguments, or would
21 propose to make the exact same arguments that you heard a year
22 ago. Marvell was a member of the CIG. Now, granted they were
23 not part of the trial. But up until that point, they were a
24 member of the CIG and had common interests. And what you are
25 hearing from Mr. Heit today is we would make the same argument

1 that you heard last year about TCM includes mapping.

2 THE COURT: Well, does he not think my claim
3 construction would be the same if they make that argument?

4 MR. JONES: Well, let me point something else out.

5 They have retained the same experts that you heard from last
6 time. You heard from Dr. Bims. You rejected the arguments
7 they put forth. What may be at issue, Your Honor, is the
8 argument before focused on what is inside the TCM that is
9 linked to the data reliability enhances means.

10 If you listen to Mr. Heit's argument, what he has
11 said a couple of times, which is very, very slight and subtle
12 but very substantial, he has referred to the rate 1/2 finite
13 state encoder that was within the TCM encoder as simply FEC.
14 That is not what the Court concluded. So, if anything, one of
15 the issues that is different now that was not presented before
16 seems to be over what is the encoder's subcomponent within the
17 rate 1/2 TCM encoder?

18 THE COURT: What makes you think there is a
19 subcomponent?

20 MR. JONES: Well, the parties agreed that there was
21 a subcomponent. The parties agreed that there is an encoder
22 and a mapper. And the fight last time was whether the mapper
23 was linked to the data reliability enhancement means. And
24 Your Honor heard arguments and declarations from experts about
25 that issue and also about the encoder subcomponent.

1 What Your Honor found -- CSIRO's position was that
2 the encoder subcomponent is a rate 1/2 convolutional encoder.
3 And where you came out, because there was an apparent
4 agreement amongst the experts, at least competing experts, is
5 that there is actually a slightly broader term to categorize
6 those class of encoders within a TCM'ing system. That is how
7 you arrived at the rate 1/2 finite state encoder.

8 But if you go back and look at that record and look
9 at the declarations, there was no fight over block encoders or
10 Reed-Solomon encoders, which are also block encoders. There
11 was no suggestion at all and it wasn't at issue whether a
12 block encoder was in a TCM system. And there is a reason for
13 that because it simple isn't so.

14 And Marvell's own expert, which is the same expert
15 from last time, Dr. Wicker, who published a book Encoding, he
16 has a whole chapter on TCM encoders. I deposed him about it.
17 When you go through all of those structures and that
18 chapter -- and this book was published in 1995 right before
19 the patent was issued, the '069 patent was issued -- there is
20 not one mention, not one suggestion of a block encoder or a
21 Reed-Solomon encoder as being part of a TCM encoding system.

22 So maybe they are two different issues, but if we
23 want to go back and revisit this, I think the outcome in terms
24 of the mapper is likely to be the same. And I think you have
25 intimated that. And if there is a question in terms of the

1 class of encoders within that TCM encoder, the evidence would
2 show that Your Honor got it right; that, yes, by agreement
3 there are convolutional encoders and there are finite state
4 encoders.

5 But to one of ordinary skill in the art, you would
6 never come to the conclusion that a block encoder or a
7 Reed-Solomon encoder, which is a type of block encoder, is an
8 encoder that is used in a TCM structure.

9 THE COURT: Okay. Response?

10 MR. HEIT: Well, Your Honor, a couple of points. It
11 seems that Mr. Jones is arguing again back to where the
12 parties currently are as to whether if the April 2009 order
13 applies, how should that be applied in this case.

14 Let me -- I believe I can try to clarify what
15 CSIRO's point is. CSIRO has this -- and it is somewhat clear
16 that it wants to change the Court's construction and say it
17 has to be a finite state encoder such as the type that would
18 be found within a TCM structure -- a TCM structure.

19 Well, two responses to that, Your Honor. One, that
20 is not what the Court found. Again, the Court looked to the
21 existence of the Reed-Solomon encoder and the coding
22 structures at Column 9, Line 36 to 46 in finding that with
23 respect to the DRE means we were looking at and at FEC, and
24 the mapping structure was not part of that.

25 And I read with a great deal of interest the hearing

1 before Your Honor on the motion to reconsider. Mr. Furniss --
2 and his unfortunate passing -- testified, Your Honor, what was
3 actually in that TCM encoder as disclosed in the '069 wrapper
4 is multiplied by one function. That is really what the mapper
5 is inside that TCM encoder multiplied by one.

6 Well, if that is the mapper in there, you could put
7 a Reed-Solomon encoder in there, you could put a finite state
8 encoder in there. You could put any type of encoder in there.
9 You multiply it by one, you get the same output.

10 So with respect to CSIRO's argument is such as that
11 would be -- you know, an encoder such as would be typically
12 found within a TCM encoder, under CSIRO's own view of that
13 based on Mr. Furniss's testimony that what is found in the TCM
14 encoder within the '069 patent, it's a multiplied by one
15 function. You can put a Reed-Solomon encoder, you can put
16 everything inside that.

17 So under that construction Reed-Solomon encoders
18 would still appropriately be within that construction. So,
19 Your Honor, I guess Marvell needs a little guidance from Your
20 Honor as to how we should proceed from this. If we should
21 proceed with respect to the Court's April 9, 2009 -- April 9,
22 2009 order, we can address that; or if we want to go before
23 that, we can move in that direction.

24 THE COURT: All right. I would suggest that you
25 proceed with regard to the Court's April 2010 order, which I

1 will have out to you in a couple of days.

2 MR. HEIT: Okay, Your Honor. May I go to --

3 THE COURT: I will issue an opinion clarifying the
4 claim construction for you.

5 MR. HEIT: May I go to collateral estoppel, Your
6 Honor?

7 THE COURT: What?

8 MR. HEIT: Collateral estoppel.

9 THE COURT: Which motion is that?

10 MR. HEIT: It is a very important part of Marvell's
11 claim construction motion.

12 THE COURT: All right.

13 MR. HEIT: This Court has already found collateral
14 estoppel on certain issues, so let me go to Slide 2.

15 As this Court is very much aware, the claim
16 construction issue with respect to TCM -- with respect to the
17 DRE means, dates back to the Buffalo trial. And the dispute
18 in the Buffalo trial was whether the convolutional encoder is
19 the same as or a structural equivalent to the rate 1/2 TCM
20 encoder.

21 So at issue in the Buffalo trial was, what is -- the
22 Court found what the structure was -- and then the question
23 was what is the way and what was the result as disclosed in
24 the '069 patent? And CSIRO's expert Dr. Monsen said that the
25 way the TCM encoder of block 42 performs the function of

1 applying data reliability enhancement is to add redundancy
2 with the delay line, and the result is that the output bit
3 rate is larger than the input bit rate.

4 So Dr. Monsen in Buffalo set forth the way test
5 adding redundancy and the result test. The output bit rate is
6 larger than the input bit rate. That is at Page 15 of the
7 Court's order.

8 Then the Court found that Buffalo's expert did not
9 dispute -- and, in fact, did not dispute that the way the
10 function of data reliability is performed by block 42 is by
11 adding redundancy bits by the delay line and the result
12 obtained is having a larger output bit rate than the input bit
13 rate.

14 And then the Court found -- this is at Page 16 of
15 the Buffalo order. The Court found there is no dispute that
16 the claimed function is being performed in substantially the
17 same way by a convolutional encoder standing alone -- and that
18 is adding redundancy bits -- and the result obtained by the
19 convolutional encoder standing alone, the larger output bit
20 rate than the input bit rate.

21 So the Court found -- and this is at Page 16 of the
22 Court's order -- that the way the '069 patent performed DRE
23 was adding redundancy bits, and the result was there was a
24 larger output bit rate than the input bit rate.

25 Again, going back to the Court's hearing on the

1 motion to reconsideration, Mr. Furniss said there is no
2 dispute the way that the DRE means work is by adding
3 redundancy bits.

4 This went to the Federal Circuit. The Federal
5 Circuit at 542 F.3d 1363 affirmed the Court's order on
6 infringement.

7 So we get to the doctrine of collateral estoppel.
8 Collateral estoppel applies when in the initial litigation the
9 issue at stake in the pending litigation is the same. Two,
10 the issue was actually litigated. And, three, the
11 determination of the issue in the initial litigation was a
12 necessary part of that judgment.

13 Turn to Slide 6.

14 Well, if you apply that test to what occurred in
15 Buffalo, Your Honor, the Court -- the same issue was in
16 Buffalo as is in this case, and that is, what is the way the
17 '069 patent performs DRE and what is the result?

18 The issues were litigated and the Court found that
19 the way was adding redundancy bits and the result was a larger
20 output bit rate than the input bit rate. And, clearly, those
21 determinations were necessary for a finding of infringement
22 and the Federal Circuit affirmed.

23 So Marvell submits, Your Honor, that on those very
24 clear facts, the issue of collateral estoppel applies. And if
25 we turn to Slide 10, CSIRO is estopped from deviating from the

1 way and result test. And the way the '069 patent performs
2 DRE, adding redundancy bits and is estopped from arguing that
3 the result of the DRE means in the '069 patent is anything
4 other than achieving a larger output bit rate than the input
5 bit rate.

6 Now, Your Honor, if we look at Column 10, on the
7 right side of that column is CSIRO's new test. So CSIRO's new
8 test -- and I will read it into the record. This is the test
9 that it wants to apply to the prior art. That the prior art
10 must produce for each additional input bit supplied to the
11 encoder, two additional output encoded data bits that depend
12 on the then current additional input bit and the fixed finite
13 number of sequentially shifted previous input data bit rates
14 already stored in the encoder.

15 So, Your Honor, as a result of the Court's April
16 2009 claim construction orders, CSIRO thinks that it can
17 change the way test from adding redundancy bits, to this mass
18 of narrowness to get around the validity -- the substantial
19 validity showing that it faces.

20 I submit, Your Honor, that CSIRO by the operation of
21 collateral estoppel is bound --

22 THE COURT: Response?

23 MR. JONES: Your Honor, for collateral estoppel the
24 issues have to be the same and have to be actually litigated.
25 Well, fundamentally, the claim construction that we have been

1 discussing from the April 9th, 2009 order is not the same
2 claim construction that was involved in Buffalo. Therefore,
3 it follows that the issues are not the same and, therefore,
4 these issues have not been litigated.

5 With respect to the comment that Mr. Heit has made
6 about the one times mapper. That is taken out of context. If
7 you put it back into context, what Mr. Furniss's and what
8 CSIRO's position has always been at that time was that we were
9 talking about the convolutional encoder and then followed by
10 the trivial mapper.

11 But, fundamentally, the issues are not the same in
12 Buffalo. If you remember, when you denied the defendants'
13 motion for reconsideration last year, you heard very strenuous
14 argument from Buffalo and from Mr. Van Nest on behalf of the
15 other defendants, about how there had been a sea change and
16 how everything had been disrupted and the construction was
17 different.

18 And, therefore, by their own admission and by their
19 own acknowledgment what you did in April 9th last year is
20 different, it is a different construction. And so to argue
21 for some reason that we have to be held to an articulation --

22 THE COURT: Well, the April 9, 2009 is not in this
23 case. So -- unless I put it back in. It is not part of the
24 record in this case. It is not -- I have not dealt with that
25 issue in this case. It is not teed up, and it is not part of

1 the claim construction in this case.

2 MR. JONES: So, Your Honor, my response to that
3 would be -- and Mr. Heit and Mr. Cordell alluded to this -- is
4 that the real issue that is arising has to do with the
5 equivalency of whether Reed-Solomon block encoder --

6 THE COURT: Exactly. So let's get to that issue.

7 MR. JONES: And if we get to that issue you will
8 find -- the jury will find as a matter of fact that they are
9 not equivalent. And if it needs to be visited as a matter of
10 claim construction, we think that the Court would come to the
11 conclusion as a matter of claim construction.

12 THE COURT: Well, do you think that it needs to be
13 visited by the Court as a matter of claim construction?

14 MR. JONES: Your Honor, in the first instance
15 looking at the TCM encoder, we think that is clear. We
16 thought it was clear before, in terms of finite state
17 encoding. Obviously there is a dispute between us as to what
18 class of encoders are within that TCM structure that is linked
19 to the DRE means. That is the argument that we are having.

20 And what you will note in Marvell's papers --

21 THE COURT: Do I need to resolve that for you?

22 MR. JONES: That's a good question. I will be
23 frank, we have debated and tried to understand whether that is
24 a question of law or a question of fact. It is certainly a
25 question of fact once you give us the claim construction and

1 you compare it to the art of the accused products, that
2 process is a question of fact.

3 But for Your Honor in terms of defining the claim
4 construction, that is a matter of claim construction and
5 matter of law for the Court. And what we are hearing and what
6 I think is materializing is that we are having an argument, we
7 are having a dispute over what the encoder is within that rate
8 1/2 TCM encoder. They say it can be a block encoder or a
9 Reed-Solomon block encoder. And we say, no. As a matter of
10 claim construction, as a matter of pure logic, as a matter of
11 the viewpoint of a person of ordinary skill in the art, that
12 is not the case. Block encoders are not used in TCM encoders.
13 They are used in other types of systems. They are called BCM
14 systems.

15 THE COURT: Would Marvell like for the Court to
16 resolve that issue?

17 MR. HEIT: As to whether the TCM encoder includes or
18 does not include a mapper?

19 THE COURT: No, Reed-Solomon.

20 MR. HEIT: And is the question, Your Honor, that
21 whether --

22 THE COURT: Is that a question of law, question of
23 claim construction that you are asking the Court to decide; or
24 is it a question of fact for the jury?

25 MR. HEIT: Your Honor, I will talk a little out of

1 school here, and I will give you my view on Reed-Solomon
2 encoders. I think the Court -- going back to Buffalo long
3 ago, took a position -- took a position and said even though
4 the patented BPSK at Column 9, Lines 36 to 46, even in BPSK
5 the patent discloses Reed-Solomon and convolutional encoders.

6 The Court found that because there wasn't a box that said
7 Reed-Solomon and wasn't a box that said convolutional, the
8 Court found it is limited -- the DRE means is limited to TCM.

9 And that really created a fork in the road. That
10 forced us into a TCM world. Once we were in that TCM world,
11 the Court was faced with lots of arguments about
12 convolutionals and mappers. And, you know, Marvell would put
13 forward evidence that they are not separable functions, they
14 are not subcomponents; that a TCM is a very unique specialized
15 type of encoding structure. And what Marvell implements is
16 very different.

17 I submit, Your Honor, that if you look at the patent
18 as a whole, the DRE means, Your Honor, means for adding data
19 reliability, as that term is used -- that term is used, I
20 think a Reed-Solomon encoder and a convolutional encoder and a
21 TCM encoder all fall within the ambit of DRE means.

22 And, honestly, Your Honor, that was a position that
23 CSIRO took back in Buffalo. And the Court said, no, CSIRO, I
24 disagree with you. And then we have gotten -- from that point
25 we have gotten to this strange world of half-rate finite state

1 encoder and whether the mapper is there or not there. And now
2 that it is there or not there, it is whether it is a
3 subcomponent.

4 It is really just a strangeness that -- we have
5 played within -- all of the parties have played within Your
6 Honor's rules; but if we have to take an intellectually honest
7 view of what the technology is -- and if you look at the -- we
8 have submitted to Your Honor the testimony of Dr. Percival and
9 the testimony of Dr. O'Sullivan. And both of them have said
10 quite clearly that Reed-Solomon encoders are part of their
11 invention. On the record they testified to that fact, Your
12 Honor. Dr. Percival just confirmed that.

13 So if you look from the inventor's perspective, they
14 always viewed that Reed-Solomon encoding was part of their
15 invention. How do we get there? We can get there by reliance
16 on your April 2009 order and say when the Court put up a
17 broader category of finite state encoder, if a Reed-Solomon
18 encoder is a finite state encoder, sure, it is part of the
19 invention.

20 Or we can go back and go before Buffalo and say,
21 look, what a DRE means is adding data reliability enhancement,
22 does a Reed-Solomon encoder do that? Yes, it does. How does
23 it do that? By adding redundancy bits. What is the result?
24 The larger output bit rate than the input bit rate and go back
25 to that world, Your Honor.

1 There are a couple of ways of getting there, but I
2 think the only right result is that a Reed-Solomon encoder and
3 block encoders are very much a part of the invention as
4 testified to by the inventors.

5 THE COURT: Okay. Response?

6 MR. JONES: Your Honor, that's a little bit taken
7 out of context. Maybe I need to apologize. I think listening
8 to Mr. Heit and having deposed Marvell's experts, having
9 watched their experts be deposed, I do think it is an issue
10 that needs to be resolved by the Court. We certainly don't
11 want to have the jury confused in having experts in
12 round-about ways giving their spins or interpretations on what
13 the patent teaches and what is disclosed as the linked
14 structure for the DRE means. I think that is in the purview
15 of the Court and should be decided as a matter of claim
16 construction.

17 THE COURT: All right. Very well. Well, I will get
18 y'all an order -- are there any other subissues in the claim
19 construction? What about the indoor/outdoor issue; do y'all
20 want to argue on that at all? Has that been resolved or is
21 that still up in the air?

22 MR. HEIT: Let me just touch quickly upon
23 interleaving. The same estoppel issue applies to
24 interleaving. CSIRO has now come forward --

25 Please go to Slide 16. Same estoppel issues -- I

1 won't burden the Court's time -- occurring with respect to the
2 change of how the '069 patent performs interleaving and there
3 was the reordering algorithm. Today, according to CSIRO, it
4 is a reordering algorithm of writing the complete set of data
5 for a single ensemble symbol into rows and then reading it out
6 from columns.

7 Again, CSIRO is trying to narrow its inventions to
8 address the prior art invalidity showing that Marvell intends
9 to put forward in front of the jury. I am just going to say
10 for the record that I think technically that CSIRO's new test
11 is wrong, but that is not an issue here.

12 Your Honor, the result is that CSIRO, again, tries
13 to narrow the result. On the basis of collateral estoppel,
14 Your Honor, CSIRO could not leave the test that it
15 successfully litigated in Buffalo.

16 Turning to Your Honor's question on indoor, in its
17 questioning -- any questions about interleaving, Your Honor?
18 Or shall I move on to indoor?

19 THE COURT: Indoor is fine.

20 Well -- do you want to respond to interleaving?

21 MR. JONES: Yes, I do, Your Honor.

22 Collateral estoppel does not apply, and there is one
23 fundamental reason. It is similar to one I made earlier, but
24 Your Honor said, well, the order may not apply from April
25 2009; and that is that the claim construction is different.

1 And it may seem slight, but it is substantial.

2 And Marvell agreed to a claim construction that
3 incorporated aspects of the specification, and those aspects
4 of the specification were not included in the Buffalo action.
5 So what Marvell now wants to do is retreat from that agreement
6 that it did in this case, along with the other defendants in
7 the last case, that supports the notion and an explanation
8 that the way the interleaver in the '069 patent performs
9 interleaving is within the frequency domain.

10 And CSIRO's experts -- excuse me, CSIRO's experts
11 and Marvell's experts are in agreement on this. It is in our
12 briefs. It was attached and I have shown that Dr. Bims in his
13 own report describes the '069 patent as doing frequency
14 interleaving.

15 Dr. Williams, who is not involved in this case but
16 was involved on behalf of Intel last year, also described the
17 '069 patent using that same construction we have agreed to, as
18 interleaving in the frequency domain.

19 When I deposed Dr. Wicker and I showed him the
20 agreed construction and asked him to read the language from
21 the specification. I then asked him to look at Dr. Williams'
22 report that described the '069 as doing frequency
23 interleaving.

24 I asked him, do you agree with that? Is that a fair
25 representation of what is going on? He says, yes. So there

1 is no disagreement between the parties about the way.

2 THE COURT: Okay. Let's go to indoor.

3 MR. JORDAN: Your Honor, in terms of indoor, I don't
4 think we have much to say here. I think Marvell's position
5 seems to be that they want to transform the construction into
6 just being "capable for indoor operation" as opposed to "for
7 operation in an indoor environment."

8 And the arguments we have had before and gone back
9 and forth in some instances are is the intent the test? We
10 are not suggesting that design intent is the test. But what
11 is clear in terms of how you talk about this issue and the
12 evidence, is that you look at the structures, you look at the
13 design of the structures, whether it be the art or the accused
14 products and you look at those elements and you come to the
15 conclusion or make an assessment as to whether those
16 structural elements make the transceivers for operation in a
17 indoor environment.

18 That is what the dispute is. I don't really have
19 more to say on that, Your Honor.

20 THE COURT: Okay.

21 MR. HEIT: Your Honor, the indoor limitation is
22 another limitation that has been around and bandied about for
23 years. I have always wondered about that limitation. As I
24 have just heard Counsel's argument, if you only look at the
25 structural limitations and you make your determination, well,

1 if that is the test, the Rault reference anticipates the '069.
2 It is admitted on the record, Your Honor, that the Rault
3 reference has all of the structural limitations that the '069
4 patent has.

5 The only thing the Rault reference didn't have was a
6 statement that it worked indoors. So according to what CSIRO
7 has just said, you look at the structure and then you make
8 your determination of whether it is an indoor and outdoor. If
9 that is the test, I think the '069 patent is really more on
10 shaky grounds because the Rault reference is admitted to
11 having all of the elements.

12 On indoor/outdoor, Your Honor, I think the
13 defendants previously and Marvell really believes it is not a
14 structural limitation. The Court has heard that. I don't
15 want to burden the Court.

16 But, Your Honor, if you look at Marvell's WLAN
17 parts, Marvell's WLAN parts work everywhere. They work
18 everywhere. They work indoors. They work outdoors.
19 According to CSIRO if they work indoors they infringe, but if
20 they work outdoors they don't infringe.

21 Your Honor will hear from Marvell that because of
22 that, there is a substantial non-infringing use. When you
23 take Marvell's chips and you put them in -- for example, older
24 versions of iPhones had Marvell's chips in it. When you put
25 it in an iPhone and they work outdoors, then you are not

1 infringing. But if you do it indoors, oh, you are infringing.
2 You owe CSIRO lots of payment.

3 That creates a real problem, Your Honor. We asked
4 Dr. Monsen, if a device is not designed for indoor use, does
5 it infringe the '069 patent? And Dr. Monsen couldn't answer
6 that question. He said he couldn't tell. He just didn't
7 know.

8 THE COURT: Say that again, designed for what?

9 MR. HEIT: And this was Marvell's issue -- Marvell
10 raised the issue of indoor use. CSIRO -- Mr. Michaud asked
11 Marvell's -- one of Marvell's founders, isn't it a fact, Mr.
12 Sutardja that Marvell's chips are designed for indoor use,
13 designed for indoor use? That is the test that CSIRO wants to
14 apply. Designed for indoor use.

15 And the testimony was, Marvell's chips are designed
16 to work everywhere; designed to work anywhere. Designed to
17 indoors. Outside. They are designed to work everywhere.

18 THE COURT: You must have had a well-prep'ed
19 witness.

20 MR. HEIT: Very bright fellow. He is a very bright
21 fellow.

22 So Marvell asked Dr. Monsen the question, if a chip
23 is not specifically designed to work indoors -- Dr. Monsen
24 testified that he took his laptop and he walked down his
25 driveway a hundred yards from his house, and lo and behold his

1 laptop was still connected to the LAN, to the WLAN.

2 So we asked him, Dr. Monsen, if a chip is not
3 specifically designed to work indoors, does it infringe? He
4 said, I don't know, can't tell you that, I just don't know the
5 answer to that question. That creates an indefiniteness
6 problem. And it really points to the problem of this
7 limitation. It is an environmental issue. It is not a
8 structural limitation.

9 And we have raised that before, Your Honor, and Your
10 Honor has found it is a structural limitation. We understand
11 that. But it is going to come back in some aspect. And what
12 Marvell asks Your Honor and that is CSIRO should not be
13 permitted -- when Gabe Luhowy testifies that the Harris modem
14 was set up indoors, transmitted data indoors, worked indoors,
15 CSIRO can't go to Luhowy and say, well, Mr. Luhowy the Harris
16 modem wasn't designed for indoor use; isn't that right, Mr.
17 Luhowy?

18 That is not the relevant inquiry. The relevant
19 inquiry was is it for operation in an indoor environment if
20 the Court maintains its construction that that is a structural
21 limitation of the claim. That's what Marvell seeks in the
22 claim construction, Your Honor.

23 THE COURT: Okay. What else would y'all like to
24 visit about?

25 MR. HEIT: The last issue, Your Honor, is a

1 dependent claim, and we will touch upon this very briefly.
2 Claim 44 is stated -- Claim 44 is a dependent claim that says
3 wherein said blocks of input data are bits.

4 CSIRO -- this Court has construed that blocks means
5 one or more bits. So Claim 44 says, wherein said blocks which
6 are one or more bits are bits. CSIRO wants to read Claim 44
7 as requiring bit-by-bit interleaving. Blocks can only be a
8 single bit. And, Your Honor, three reasons --

9 THE COURT: Haven't we already been down this road
10 once?

11 MR. JONES: It did come up and it was briefed, but
12 Your Honor never resolved it --

13 THE COURT: I will resolve it this time for you.

14 MR. JONES: Your Honor, if I can address a couple --
15 just two points. Counsel talks about -- he talked about the
16 Rault reference and that it somehow is an indoor reference.
17 That is not true. And it is clear that the Rault had
18 structures, structures that were made for operation or outdoor
19 environment and not for an indoor environment.

20 And the discussion about in the abstract where a
21 product needs to be specifically designed for an indoor and
22 outdoor environment, kind of misses the point. Dr. Monsen's
23 report is very clear in pointing to those structural aspects
24 of the accused products that make them for operation in an
25 indoor environment. He is also conversely very clear in

1 discussing the prior art, what those structural aspects and
2 components are of the art that make them not for operation in
3 an indoor environment.

4 With respect to the notion that we cannot ask Dr. --
5 excuse me, Gabriel Luhowy or any other witness, very
6 common-sense questions about the products and what is their
7 intended or designed application, makes no sense. It makes no
8 sense because we are not saying that designed for or intended
9 for is the test. But it is certainly circumstantial evidence
10 when you look at the Harris modem with the big antennas and
11 the outdoor long transmissions, that is all indicative and
12 circumstantial evidence that supports Dr. Monsen's opinion
13 that they are not for operation in an indoor environment.

14 THE COURT: Okay. Thank you.

15 MR. JONES: Thank you.

16 MR. HEIT: Thank you, Your Honor.

17 THE COURT: All right. Does that conclude all of
18 the claim construction matters?

19 MR. MICHAUD: I believe so, Your Honor.

20 THE COURT: Let's see. All right. Let's talk
21 about this contract cause of action. I think CSIRO has teed
22 it up as a motion for summary judgment. I guess that would be
23 the best way to start with it.

24 MR. WAGSTAFFE: It would, Your Honor. Thank you.

25 It is also before the Court in other, may I say, prisms; the

1 Daubert motions and in-limine motions. Perhaps we can make it
2 simple.

3 I promised only one PowerPoint slide, which is to
4 the contract itself, which I -- is the letter itself which
5 forms the supposed basis.

6 If we could we have that. I'm sorry.

7 Your Honor, while that is getting ready and we are
8 looking at just ourselves and not our screens, let me frame
9 it, if I can, very quickly. Your Honor, they have got four
10 causes of action, the third through the sixth, which are
11 predicated upon the notion that the letter -- the LOA creates
12 a third-party beneficiary right, and a subcomponent maker who
13 is being sued for indirect infringement. Not only do they get
14 to argue RAND equitably, they also want it to be part of the
15 jury trial because they have already talked about a damage
16 claim that we can talk about briefly.

17 THE COURT: Did this come up in any of the other
18 cases?

19 MR. WAGSTAFFE: The damage issue did not come up in
20 the other cases, no, Your Honor. As to the -- I don't believe
21 that the RAND motion for summary judgment as to whether it is
22 a proper third-party beneficiary issue has been addressed by
23 this Court.

24 I think it is fairly straightforward, Your Honor.
25 We can talk about damages and why that one goes, but it starts

1 with a simple question -- well, first, we say it is a contract
2 interpretation, Your Honor, so it is perfectly appropriate for
3 summary judgment. That is what the courts do on summary
4 judgment in this situation. And I will indicate why I think
5 the term is unambiguous; and for all of the stacks of stuff
6 before Your Honor, I think if we look at this single document,
7 we are going to find that it answers the question for us.

8 The first question is, is Marvell an intended
9 third-party beneficiary of the LOA because if it is incidental
10 or it is not covered by the LOA or reasonably within the
11 contemplation of the parties, then that is the end of the
12 theory.

13 And, Your Honor, I think it is easily answered. The
14 only real evidence that there was shared meaning between the
15 parties is the IEEE's request and the letter that was
16 ultimately given. And the LOA does not expressly name any
17 beneficiaries. We know that. Therefore, the question is, was
18 it applied when it says it was directed to those who practice
19 the standard? Not component suppliers. The chip does not
20 practice the standard since it does not have complete
21 functions of the standard.

22 And, Your Honor, again -- the glory of reading the
23 complaint last night -- both in Paragraph 15 and Paragraph 48
24 of their first amended complaint, they say it enables
25 devices -- that's Paragraph 15. And in Paragraph 48 they

1 say -- in that particular paragraph they say that it is
2 incorporated in the implementations.

3 So the Marvell product does not practice the
4 standard as set forth in the LOA. It is being sued for
5 indirect infringement, which is a legal theory that is
6 allowed, of course, in the counterclaim; but for this the LOA
7 does not apply, by its own terms. And that is the beginning
8 and end of that point, frankly in the plain meaning of the
9 contract.

10 The IEEE when it talks about, you know, applicants
11 for licenses, talking is referring back to those who implement
12 the standard. Therefore, they are not the intended
13 third-party beneficiary of this contract.

14 There is something, may I say, Your Honor, equally
15 simple that won't take long argument, I hope, which is that if
16 you look at the letter and the LOA they are relying on, it
17 specifically refers to the 802.11(a) standard. That is the
18 standard that was proposed. That is the only standard covered
19 by the letter. And we know it was only covered by that letter
20 because there was no LOA for 802(g) and (n). We know that.

21 CSIRO did not choose to have an LOA in that
22 situation. Therefore, we don't have a RAND issue. And it is
23 undisputed that Marvell has no (a)-only chips at issue in this
24 case.

25 THE COURT: Is that correct?

1 MR. CORDELL: The (a)-only chips are at issue, but
2 we believe are licensed. So it is hard for me to say
3 categorically that they are not an issue. We have a defense
4 to them, so they won't be part of any damages proceeding that
5 is ultimately --

6 MR. WAGSTAFFE: Your Honor, there is definitely a
7 license matter. The only ones that are at issue in this case
8 have (a), (g), and (n). Therefore, this LOA, which is limited
9 to (a) would not, otherwise, affect this summary judgment
10 ruling.

11 MR. CORDELL: But, Your Honor, that doesn't mean
12 that the chips don't practice (a). The chips as sold practice
13 (a). They practice (a), (g), and (n) together.

14 THE COURT: But there are no (a) chips at issue?

15 MR. CORDELL: That's right -- well, but the point is
16 nobody -- that nobody makes just an (a) chip. You make an
17 (a), (g), and (n) chip. So the technology that was licensed
18 under the patent that is up on the screen, is, in fact, the
19 same.

20 THE COURT: All right.

21 MR. WAGSTAFFE: Well, you asked before, Your Honor,
22 with respect to this issue; but the infringement is as -- not
23 as to (a) only, and this is an (a) only, so we don't have a
24 RAND there. That is ripe before Your Honor in the briefing.
25 I think it is nice and straightforward.

1 Also, in the letter it says that they have to --
2 that it has to be, of course, a request in writing. There has
3 to be that there be a request in writing from a
4 written request -- we don't have that request in writing in a
5 timely fashion. And, Your Honor, there was put forth why --
6 the facts are straightforward.

7 There was no -- they suggest somehow we had to offer
8 them a license or they were relying on us for saying we don't
9 need a license. The LOA is clear by its terms. It will not
10 apply unless there is a written request. So we don't get a
11 written request until March of '07. We don't get a written
12 request until March of '07.

13 Your Honor, we have set forth in our brief why when
14 Marvell knew about this issue years and years earlier and it
15 is now in a litigation position to give a written request,
16 supposed written request late in the game. It is not the good
17 faith required to rely on this doctrine either for damages or
18 for the equitable relief.

19 Your Honor, in addition, we have set forth they
20 didn't -- even if you look at that March 7th interaction, they
21 didn't make a counter-offer. The evidence is undisputed their
22 negotiator had no authority to do anything, and they claim
23 they had no duty to negotiate.

24 Your Honor, if this is a RAND and they come to that
25 discussion and say we don't like the number and they don't

1 want to negotiate and they don't have anybody there with any
2 power to negotiate, both in equity and otherwise, whether it
3 is unclean hands or it is simply the terms of the contract,
4 summary judgment gets granted on that ground as well.

5 What does RAND mean in this particular situation?

6 We have set forth through the law and the analysis, that
7 "reasonable" means reasonable. We have put forth the facts as
8 to what that means, Your Honor, with respect to that their
9 argument is, well, "reasonable" means -- and their expert says
10 this. The are only evidence for Celotex purposes, Your Honor,
11 on that issue. It an ex ante royalty. They're saying it is
12 the earlier royalty. The letter just doesn't say that.

13 The last line of that second paragraph says,
14 including its then current royalty rates. You take a snapshot
15 of time at the time of the written request. That is what the
16 letter says. The fact is, is that if somehow coming to that
17 negotiation and not being able to negotiate somehow they can
18 still come here and argue reasonableness and equity, that is
19 their only evidence through their expert is the number for
20 damages, the number that occurred years earlier with Radiata;
21 and we have got that in our brief. So it is a delay in making
22 the request and the terms itself, Your Honor.

23 Your Honor, let me say as to the one claim they want
24 to get before the jury, which is their damage claim, that
25 fails under the multiple grounds we have set forth in our

1 papers. That is, it is not -- first of all, it is not a
2 number of certainty at all. They told us they might have an
3 obligation.

4 What they really do, Your Honor, and which I think
5 public policy presents, they say Microsoft settled, we have an
6 indemnity agreement that we haven't finalized in any way or
7 know what it is. Therefore, since Microsoft settled and Your
8 Honor was right in this courtroom when that happened in terms
9 of the case getting over, therefore, there is a double-dipping
10 and they can sue us for damages for Microsoft's settlement.

11 Your Honor, the good-faith aspect of settlements is
12 that it not only cuts it off because Microsoft has settled
13 away any claims so there is no subrogation rights, it not only
14 goes away because public policy says we support settlements
15 and we don't have a settling with Microsoft and then paying
16 Marvell damages for the same number. That is not how it works
17 in this situation.

18 And lastly on damages, Your Honor, there is, may I
19 suggest -- going back to my first year of law school -- a
20 Hadley v. Baxendale issue that is very clear; that is, that
21 these supposed damages are not foreseeable. The letter of
22 assurance was not between CSIRO and Marvell. The damages are
23 based on Microsoft's supposed claim for indemnification, which
24 Marvell has not yet formally confirmed they have agreed to it.

25 The indemnification agreement was entered into after

1 the LOA was signed. And it is simply not foreseeable at the
2 time of the LOA as required by law, particularly in a
3 third-party beneficiary situation, that this rather
4 around-the-bend theory that because we owe indemnity someone
5 you settle with is going to equal a damage, that particular
6 settlement somehow can continue to go forward in front of a
7 jury in that particular regard.

8 So, Your Honor, for that reason all of the causes of
9 action go away by way of summary judgment, but the simplest
10 one is in that single letter by its very terms, which is
11 exactly what happened in summary judgment all the time.

12 THE COURT: Okay.

13 MR. CORDELL: Your Honor, we see a number of fact
14 issues that are raised in CSIRO's motion. If I can go to the
15 slides and, Your Honor, to Tab 2 of our binder.

16 Beginning with the question of what is the meaning
17 of a reasonable and non-discriminatory RAND offer in the
18 context of 802.11?

19 We just heard discussion about what could or
20 couldn't be reasonable. That is the quintessential fact issue
21 of -- that is the reason why we have trials. The reasonable
22 man standard in negligence is a good example. That is an
23 issue fraught with fact determinations. Does the letter of
24 assurance apply only to alleged direct infringers? The facts
25 of this case --

1 THE COURT: Are you saying that is a fact question?

2 MR. CORDELL: I do think it is, Your Honor, and for
3 this reason: The facts of this case -- and CSIRO is
4 well-aware of this -- is that the chips perform everything
5 except for the antenna function. They have taken the position
6 that that is true; that the chip is everything except for the
7 antenna. And it is completely foreseeable.

8 Therefore, is it now reasonable to allow CSIRO to
9 retract its RAND commitments to the industry, based on that
10 technicality; and that technicality, I do think, is a fact
11 issue because it is born out if these things are used in any
12 other context, for example, and the degree to which CSIRO
13 could have foreseen and predicted that the chips themselves
14 formed the corpus of the infringement.

15 Was CSIRO's license a RAND offer at all? I will
16 present a fair amount on this. But the reality is that it is
17 not just the Radiata license that shows it was unreasonable.
18 It was the fact that CSIRO was demanding in excess of 100
19 percent of the revenue that Marvell makes on these chips. The
20 jury is entitled to decide whether or not that is a reasonable
21 position for a licensor to take.

22 The fact that -- the issue that the Court asked
23 earlier about whether or not the LOA on 802.11(a) also applies
24 to (g) and (n). The facts show that the technology is the
25 same; that the backward compatibility requires you to practice

1 exactly what it is that was in 802.11(a); and that there is
2 really nothing outside of that that they accuse as infringing
3 for the (g) and (n) standards. So what essentially CSIRO is
4 attempting to do is to retract its RAND commitments by
5 suggesting that you added something to the device.

6 But that is not the way patent law works. You don't
7 affect infringement by adding things to the device. Whether
8 Marvell's refusal to pay half of its revenues ultimately to
9 CSIRO was appropriate in the exchange that they had; and that
10 whether or not it was reasonably foreseeable that damages
11 would result, I believe is a fact issue.

12 So let me touch on these quickly. We begin with the
13 letter at Slide 2. It is, in fact, true that CSIRO made a
14 RAND commitment. And the RAND commitment -- it is important
15 to note here -- is not we agree to offer a license to a
16 particular technology as long as you are making that
17 particular technology. That is not what the RAND commitment
18 says.

19 What the RAND commitment says is that they will give
20 us a non-exclusive license under the patent, under the
21 patent. There is no restrictions to field of use. There is
22 no discussion of the technology at issue here. What is being
23 licensed is the patent on a non-discriminatory basis. That
24 was the RAND commitment they made. That is the RAND
25 commitment that we expect them to live up to.

1 At Slide 3, does CSIRO's letter apply only to direct
2 infringers? The IEEE bylaws, which is the operating body that
3 bore out the RAND commitment, makes it clear that the license
4 has to be offered to all applicants. They are not going to
5 get into whether you are doing 90 percent of the infringement
6 or 95 percent of the infringement or 80 percent of the
7 infringement.

8 If you are an applicant and you want a RAND license,
9 you are entitled to one under the rules governing the 802.11
10 RAND commitment.

11 When we look at this from a legal perspective, a
12 license is just a permission to engage in activity that would
13 otherwise infringe --

14 THE COURT: I tell you, if you could address the
15 third-party beneficiary aspects of what qualifies Marvell as a
16 third-party beneficiary.

17 MR. CORDELL: Certainly, Your Honor. The reason
18 why -- there are really two responses there. Number one,
19 CSIRO fully understood, fully understood that there would be
20 actors in the chain of distribution for these particular
21 patents.

22 Imagine, for example, that instead of suing the chip
23 makers or the box makers, CSIRO were to sue the users. That
24 is an act of infringement. Would there be any dispute about
25 whether or not an infringer if they wanted to, would, in fact,

1 be entitled to claim the benefit of the RAND commitment made
2 to the IEEE? The IEEE's RAND commitment is not made just to
3 the IEEE's members. It is made to the public at large. It is
4 made to anyone --

5 THE COURT: Why did this not get raised as a breach
6 of contract issue in the other cases?

7 MR. CORDELL: I think the posture of this particular
8 claim is a little bit unique, because remember Marvell was a
9 chip supplier, and they supplied chips to customers who were
10 then sued, and the demands made of those customers were above
11 RAND rates. That is really the fundamental contract claim
12 that we are bringing. Had CSIRO lived up to its contractual
13 commitment to offer a RAND rate, all of these Marvell
14 customers who were sued and were forced to pay monies --

15 THE COURT: Why couldn't the box defendants have
16 raised a breach of contract?

17 MR. CORDELL: I think actually each of the
18 defendants could have --

19 THE COURT: But they didn't.

20 MR. CORDELL: Well, I think that in fairness, Your
21 Honor, the way it was phrased in the last case is that they
22 breached the RAND commitment and, therefore, their damages
23 should be limited.

24 THE COURT: Right. And I mean this whole RAND thing
25 I remember from last time. It is murky water. Has the IEEE

1 done anything to clear up and more clearly define what is
2 being created in these RAND letters that they send back and
3 forth?

4 MR. CORDELL: I think the IEEE is composed of a
5 number of committees that operate on different bodies of
6 technology, and different committees have actually taken
7 different approaches. But I think everybody recognizes that
8 it is a thorny issue. And it is a problem. And it is a
9 fundamental societal problem. Because what happens in the
10 standard is when the IEEE says we are going to go with path
11 (c) out of the choices that we have, the makers of path (c)
12 now have market power way beyond any patent rights, any other
13 intellectual property rights because they hold the keys to the
14 standard that everyone must now adopt.

15 So that is really what bears out the entire standard
16 setting organization in law is the FTC and Justice looks at
17 this stuff very, very closely because they want to make sure
18 that people don't use this market power.

19 This ex-ante debate that we heard about on the
20 damages issue is germane to this. The idea that you don't let
21 a patent holder whose patent covers a standard to come in and
22 raise their rates after the standard is adopted. The germane
23 analysis is, what would the prevailing rates at the time that
24 they were selling these things before the standard was adopted
25 so that we know that they are not creating this so-called

1 patent holdup that the standard setting cases talk about; that
2 they are able to look at after the standard was adopted.

3 Of course, you may find instances where people can
4 demand higher rates, but they are not supposed to. That is
5 the whole point of the idea.

6 So if I could just move forward --

7 THE COURT: Why don't you wrap this one up, and we
8 will move on to something else because we have got a few more
9 things to cover here.

10 MR. CORDELL: Okay. If I can just address a couple
11 of points that Counsel made. One was the idea that the offers
12 that were made were, in fact, RAND; and that the only evidence
13 that we have was the Radiata license.

14 It is true at Slide 6 we put up the Radiata license
15 and the royalty rates between .5 percent and 5 percent of the
16 chip price are what was in the Radiata license. That existed
17 before 802.11 said, okay, we are going to go with this
18 approach. So that is a very, very forceful piece of evidence
19 that we think creates a significant fact issue because what we
20 find is that when they did finally offer rates to Marvell,
21 they were at substantially higher rates; 200 or 300 times --

22 THE COURT: Did Marvell ever make any counter-offers
23 to those --

24 MR. CORDELL: What Marvell --

25 THE COURT: Was there any negotiation -- after they

1 sent out their letter offering to license, was there ever any
2 negotiation between Marvell and CSIRO?

3 MR. CORDELL: The negotiation asked that Marvell
4 come -- I'm sorry, that CSIRO come down to a much more
5 reasonable level. So there was some discussion. The
6 discussion pointed out the fact that the dollar 40 to dollar
7 90, the four dollar rates that CSIRO were demanding were in
8 excess of Marvell's entire revenue, that four dollar number is
9 more than a hundred percent of CSIRO's entire --

10 THE COURT: Is this back when the letter was first
11 sent out or was there no response to the letter?

12 MR. CORDELL: This, I believe, was in the 1997 time
13 frame. There was some discussion, and the discussion from
14 Marvell's perspective was that if you come down to a
15 particular level, we can have a real discussion. And CSIRO
16 declined to do that. But the level that -- again and I don't
17 know how confidential this stuff is or not, but --

18 Can I talk about it?

19 If I could have a moment Your Honor.

20 (Pause in proceedings.)

21 MR. CORDELL: The response from Marvell was that
22 CSIRO was asked to come down to a reasonable level, something
23 like ten cents a chip, which would have been above the .5 to 5
24 percent number that the Radiata license had in it, so they
25 could have an effective negotiation. But the gulf between ten

1 cents and a dollar 40 or four dollars was too big, so nothing
2 progressed from there. But there was a discussion about it.

3 And the question as to why it is that Marvell didn't
4 have this discussion until 1997, is easily explained, Your
5 Honor.

6 If I could have -- if I could have slide --

7 THE COURT: I tell you what, I need to take about a
8 ten-minute break. We have been going for a pretty long time.
9 We will be back in about ten minutes.

10 MR. CORDELL: Thank you

11 (Recess was taken at this time.)

12 THE COURT: All right. Please be seated.

13 All right. What would CSIRO like to hear next?

14 MR. WAGSTAFFE: Your Honor, could I have the final
15 statement on the motion?

16 THE COURT: All right.

17 MR. WAGSTAFFE: Let me just say it this way, Your
18 Honor --

19 MR. CORDELL: Your Honor, I hate to interrupt, but I
20 was going to make one more point.

21 THE COURT: All right. One more point.

22 MR. CORDELL: The one more point is just this: The
23 explanation for the delay was very simple. CSIRO simply told
24 Marvell that it didn't infringe, over and over and over
25 again.

1 If I can have Slide 15.

2 THE COURT: Wait a minute. CSIRO simply told
3 Marvell they did not infringe?

4 MR. CORDELL: Yes. I'm sorry if I misspoke. They
5 told us that over and over and over again. So we have an
6 excerpt from Mr. Colwell's declaration that he submitted
7 earlier in this case. Mr. Colwell was one of the Townsend
8 lawyers that represents CSIRO.

9 He says: I told Mr. Anthony that CSIRO had
10 investigated the company's manufacturing and infringing
11 products and that Marvell was not on the list. I assured him
12 that CSIRO had no plan to assert the patent against Marvell
13 because Marvell's products did not infringe the patent.

14 THE COURT: Okay.

15 MR. CORDELL: We have got that excerpt on Slide 15.
16 There is another one on 16. There is another one on 17. It
17 is no surprise that we didn't start that negotiation until
18 2007. When CSIRO decided to sue our customers and not provide
19 them with the RAND commitment, it does damage Marvell.
20 Marvell then has to deal with those indemnity claims. Marvell
21 has to pay more than they would have paid had CSIRO made its
22 RAND commitment.

23 So they are going back on their word when they said
24 that we didn't infringe. But more than that, they are costing
25 us money. That is real damage. It is cognizable damage. The

1 simple fact that it is hard to ascertain doesn't mean that it
2 is not legal damage. Thank you.

3 THE COURT: Let me ask you on that claim if it is in
4 the case and we try it, what does your damage model look
5 like?

6 MR. CORDELL: Our damage model has to do with the
7 fact that companies like Microsoft are forced to pay more --

8 THE COURT: Are you going to be able to quantify it?

9 MR. CORDELL: It will be difficult, but our expert
10 has taken a shot at that, and we will have testimony about the
11 kind of damage that we have suffered. It may be, again,
12 difficult to ascertain; but that doesn't defeat the claim of
13 damages.

14 THE COURT: What kind of damages does your expert
15 opine, what amount?

16 MR. CORDELL: I confess, I don't know what the full
17 amount is; but I can consult with Mr. Heit. Could Mr. Heit
18 respond to that one?

19 THE COURT: Sure.

20 Mr. Heit.

21 MR. HEIT: Your Honor, an indemnity claim was made
22 by one of Marvell's customers to Marvell as a result of the --
23 one of the settlements in the --

24 THE COURT: Is that Microsoft?

25 MR. HEIT: Correct, Your Honor.

1 It is Marvell's position that had CSIRO offered to
2 Marvell a RAND license when requested by letter in 2007,
3 Marvell would have taken that license and that would have
4 stopped the clock of any sort of liability. In fact, it would
5 have had Marvell paying for --

6 THE COURT: All right. I understand that.

7 What amount of damages are you claiming?

8 MR. HEIT: It is -- two aspects of it. The
9 indemnity claim had two components to it. It had an
10 attorneys' fees component to it; and Marvell's damages expert
11 took a look at that and said the attorneys' fees from the date
12 that CSIRO should have given the RAND license forward, would
13 have been avoided.

14 And there is a liability component, settlement
15 component with it and said had CSIRO given to Marvell a RAND
16 license, the exposure -- the settlement associated with the
17 parts that Microsoft paid would have been at a RAND rate. And
18 anything that Microsoft paid with respect to those parts in
19 excess of that RAND rate, should it be recoverable, are
20 damages associated with CSIRO's breach of RAND claim.

21 THE COURT: Has Marvell accepted indemnity to
22 Microsoft?

23 MR. HEIT: What Marvell -- that liability is -- that
24 is a claim against Marvell. When Marvell is successful on its
25 breach of contract claim, that money will be paid to

1 Microsoft. Marvell's position is --

2 THE COURT: What if it is not successful?

3 MR. HEIT: Then the claim -- there is a claim

4 outstanding by Microsoft against Marvell.

5 THE COURT: So no money has changed hands?

6 MR. HEIT: At this point no money --

7 THE COURT: So parts A and B of your damage model,

8 what are your amounts that the expert put on both of those

9 attorneys' fees and potential indemnity to Microsoft.

10 MR. HEIT: I'm going to do my best at recalling it.

11 I believe it is somewhere between three and six million

12 aggregate. It is around that number, Your Honor. I

13 apologize --

14 THE COURT: Three and six million for parts and A

15 and B?

16 MR. HEIT: I think in the aggregate, yes, Your
17 Honor.

18 THE COURT: So it is a relatively small damage claim

19 in the context of -- what is being sought in this case?

20 What is CSIRO's damage model going to look like?

21 MR. WAGSTAFFE: On this issue, we have no damage
22 model.

23 THE COURT: No, I mean on the case as a whole.

24 MR. CAPSHAW: About \$130 million, Your Honor.

25 THE COURT: All right.

1 MR. WAGSTAFFE: Your Honor, very briefly.

2 First -- if you will forgive the pun -- this
3 inventive theory was not raised last time, even though Intel
4 was in the case as a chip maker.

5 Second, when you are analyzing the contract, Your
6 Honor, it is important to remember you construe it against the
7 drafter. This is an IEEE form draft.

8 Second, Your Honor, since my client is being asked
9 through this process to waive statutory damages and is a
10 waiver, you also construe it against the waiver.

11 Third, Your Honor, so on the third-party beneficiary
12 theory, as Your Honor has outlined, it only applies to those
13 who practice the standard. The suggestion that everybody, as
14 in their words, who provides component parts, therefore, gets
15 a license through that process, is not how the IEEE applied.

16 Next, Your Honor, is that the LOA letter, as I have
17 indicated, only dealt with (a). The suggestion that, oh, they
18 are all the same thing is defied --

19 MR. CORDELL: Your Honor, I didn't get to respond to
20 that point.

21 THE COURT: Okay. I will allow you to in a moment.

22 MR. WAGSTAFFE: Well, your Honor, he will probably
23 respond to this; but I note that the IEEE sent a (g) letter --
24 that is not disputed. CSIRO -- Marvell knew about that
25 process, and CSIRO didn't agree. There is no LOA letters.

1 And the IEEE felt it necessary to send one, both of them on
2 (g) and (n) and there is no LOA. We have no (a)-only chips in
3 this case. Literal terms.

4 Your Honor, with respect to the negotiations, let me
5 say this: Not only is the reference they made not in the
6 record and not only is that 1990's record not in the record,
7 it was not a RAND offer. It did not talk about ten cents.

8 And it didn't have a dollar figure.

9 The only time we have a negotiated point where they
10 are coming in this Court and seeking equity for this process
11 is where they get a number and they reject it. They do not
12 have a negotiator there in good faith. They do not have --
13 the testimony in the record is:

14 Question: Okay.

15 This is to their negotiator.

16 It is fair to say you were never authorized or
17 instructed to make any offer on any terms to license the CSIRO
18 '069 patent; is that correct?

19 Answer: Yes.

20 They went there with no intent to negotiate. Your
21 Honor, if this is coming to this Court on a RAND
22 reasonableness argument, to go to that negotiation and say we
23 are rejecting whatever you say and we will see you in court
24 and we will seek damages, it is exactly the opposite purpose
25 of what this process is designed to do.

1 As to damages, Your Honor, I just heard the damage
2 model. This is a Celotex motion. We have set forth the
3 damages are indefinite; that there was no meeting of the minds
4 with respect to how much it would be; and they don't have
5 evidence at this time. That is Celotex.

6 But, Your Honor, it is murky water. And if it is
7 murky water -- and we have -- you can look at our brief at
8 Pages 17 to 19 for all of the evidence. And the people from
9 IEEE themselves don't know what it means and Marvell steps
10 into the shoes of the IEEE, we have indefiniteness and no
11 meeting of the minds; therefore, an unenforceable contract in
12 this particular circumstance.

13 Your Honor, Marvell has paid no money in this case.
14 They have just told you their damage model. Maybe there will
15 be a lawsuit thereafter. If they were going to come to court
16 and try to beat summary judgment, they have to say not only
17 some model but they had to say they paid some money. The
18 claim is not ripe. There are no definite damages. And if we
19 run the tape -- as they say on the sports broadcasts -- you
20 know what happens here, these equity claims go away, the
21 inventive contract claim that no one else raised goes away,
22 and there are several things we might be doing next time we
23 see each other that won't be necessary, and it will streamline
24 this trial.

25 Thank you, Your Honor.

1 THE COURT: Final word.

2 MR. CORDELL: Your Honor, the precise numbers are 2
3 million for the attorneys' fees and 7 million for the
4 liability are the precise demands.

5 THE COURT: Okay. Thank you.

6 MR. CORDELL: On the (a)-only, Your Honor, the fact
7 of the matter is if what CSIRO is suggesting is that if we
8 include 802.11(a) functionality in our chips then they are off
9 the table, then they won't make any accusations about them, we
10 can all go home right now because every one of these chips has
11 (a) functionality in it. So it is a complete non sequitur
12 to say, well, this is all about (a)-only chips. No, it is
13 not about (a) chips. It is about (a) technology, 802.11(a)
14 technology.

15 If I could have Slide 11.

16 The fact of the matter is, the letter of assurance
17 didn't say anything about limiting it to one particular flavor
18 of the standard. It said that we are going to give you a
19 license under the patent, not the standard, not as to any
20 particular technology; but a license under the patent. So you
21 get a patent to the '069 -- to the '069 claims themselves.

22 At Slide 12 what we are talking here is -- what we
23 are talking about here is an IEEE working group. Bruce
24 Kraemer, one of our witnesses who was an instrumental person
25 at the IEEE, explained that everybody understood at the IEEE

1 level that when you progressed forward within a standard, any
2 letter of assurance you have offered remains intact. You
3 can't then somehow recant your letter of assurance because the
4 technology has moved forward.

5 And then, finally, Your Honor, at Slide 13 we talk
6 about the Bloom case where they specifically recognize that if
7 a new use is foreseeable, reasonably foreseeable, then the
8 grantor bears the risk that that new use would spring into
9 action, and the grantor bears the risk of having to reserve
10 that out of the grant in the initial case.

11 Here it was eminently reasonable that 802.11 would
12 go through different generations, and so CSIRO should have
13 reserved that from their letter of assurance, if that was
14 their intention.

15 Thank you.

16 THE COURT: Okay. Thank you.

17 All right. We have got about ten minutes left.

18 Anything special that CSIRO would like to hear arguments on?

19 MR. MICHAUD: Your Honor, I assumed from earlier you
20 have decided to take under advisement the realignment motion.

21 THE COURT: No. I wanted to deal with that,
22 actually.

23 MR. MICHAUD: Then we would like to address that, if
24 we may.

25 THE COURT: I can probably save y'all some time. I

1 think how I normally try patent cases, even when it has been
2 brought as a DJ, is to try to realign and allow the patentee
3 to assume the position of the plaintiff; and I think it is
4 more understandable to the jury that way working through
5 infringement and invalidity and damages.

6 However, in the event -- what did we do in the last
7 case? Who went first in that case?

8 MR. CORDELL: CSIRO.

9 MR. CAPSHAW: CSIRO did, Your Honor.

10 THE COURT: CSIRO. So that is sort of my thinking,
11 but I have got a question for Marvell, which might change my
12 mind on the order of the plaintiffs; and that is whether
13 Marvell is going to pursue its non-infringement defense.

14 MR. CORDELL: Well, at this time the answer is yes,
15 Your Honor. It depends quite a bit on the Court's claim
16 construction that we discussed.

17 THE COURT: I will get that to you this week. What
18 is today -- today's Thursday. It may be early next week.

19 MR. CORDELL: Just if I understand, Your Honor, if
20 we decide not to proceed with our non-infringement defenses,
21 does that put us in the posture of the plaintiff then?

22 THE COURT: I would hear arguments on it, but I
23 would think so.

24 What would be CSIRO's position on that? If they
25 concede infringement, wouldn't you agree they would have the

1 burden of proof and probably ought to go first?

2 MR. MICHAUD: Well, Your Honor, there is still the
3 issue of willful infringement and damages. Damages are in
4 this case, as I understand it, and I wasn't --

5 THE COURT: If they concede infringement, are you
6 going to pursue willfulness?

7 MR. MICHAUD: Yes, Your Honor, we are.

8 MR. WAGSTAFFE: Your Honor, may I add to that just
9 briefly. The jury confusion issue is a serious issue.

10 THE COURT: The what?

11 MR. WAGSTAFFE: The jury confusion issue is serious
12 in this sense, regardless of infringement, although I see
13 where that goes -- we are seeking damages. This is a damage
14 trial. And you know how jurors are. They think the person
15 who is seeking damages -- and at the end they have got to fill
16 out the form as to who is the plaintiff and who is the
17 defendant; and even with the best of explanation, that
18 confusion can exist.

19 If you go first and you put your case forward on
20 liability, you put your damages case on, the other side --
21 like every trial -- puts on its defenses. If they have a
22 counterclaim, they put it on. Let's hope it is not in this
23 case. And then we go forward. That is -- the jury has to
24 see, if you will, who is -- who gets the dollar sign line, you
25 know. So I think that is my concern on the confusion, as

1 well.

2 THE COURT: Okay.

3 MR. CORDELL: Just to respond, Your Honor, the jury
4 confusion is manifest if, for example, our breach of claims
5 get heard. The idea there is that we have got affirmative
6 claims that we need to prosecute. So it is not a panacea
7 simply to say that we realign so that the patentee is in the
8 posture of the plaintiff. We all have to do our jobs
9 and explain it to the jury.

10 I would like to raise one critical jury confusion
11 issue, which has to do with the settlement agreements, the
12 whole ResQNet debate.

13 THE COURT: Let me comment on the order of proof.

14 Let me get my claim construction opinion out, and then I would
15 like for Marvell to make a decision on whether it is going to
16 contest infringement or not within a reasonable period of time
17 after you receive that.

18 How long would you need?

19 MR. CORDELL: Three business days, Your Honor.

20 THE COURT: Three business days. How are we doing
21 on time. Y'all pick a jury on the 6th. Could you do it in
22 two?

23 MR. CORDELL: Sure.

24 THE COURT: Okay.

25 MR. CORDELL: Thank you.

1 THE COURT: As soon as I get that to you, you make a
2 decision and file a notice to what your election is, and I
3 will enter an order dealing with the order at trial based on
4 the arguments.

5 MR. CORDELL: Thank you, Your Honor.

6 THE COURT: So don't make it just thinking you are
7 going to go first, but you can abandon it if you wish to
8 because you don't think it has any merit and you think the
9 Court might be inclined to go that way.

10 MR. CORDELL: We will take our chances, Your Honor.

11 THE COURT: But don't hold my feet to it. I will
12 think about it.

13 Okay. What else?

14 MR. MICHAUD: Well, Your Honor, you mentioned
15 willfulness. There is a motion by Marvell -- for summary
16 judgment that there is no willfulness in this case.

17 THE COURT: Okay. That is denied.

18 What is next?

19 MR. MICHAUD: Pardon me?

20 THE COURT: I said that's denied.

21 MR. MICHAUD: Denied. The only other one I would
22 like to address if we have a little bit of time is also a
23 Marvell motion for partial summary judgment with respect to
24 the priority date.

25 THE COURT: Yes. I think we have got a fact issue

1 there, too, and I deny that one as well.

2 What else? We have got a Marvell Daubert --

3 MR. MICHAUD: There's a Daubert --

4 THE COURT: -- on Wagner, what about that?

5 MR. CORDELL: Yes, Your Honor. That one does deal
6 with the settlement issue, so I think -- the settlement
7 agreement issue. I think that is probably the most important
8 one.

9 THE COURT: Let's deal with the ResQNet. Will that
10 resolve this Daubert?

11 MR. CORDELL: They are related, Your Honor.

12 MR. CAPSHAW: No, sir. The Wagner Daubert is a
13 separate issue. What Mr. Cordell is talking about, I believe,
14 is Mr. Wagner's supplemental report, which under ResQNet puts
15 the settlement agreements in.

16 MR. CORDELL: Yeah, I don't mean to suggest --

17 THE COURT: Have y'all briefed that issue yet?

18 MR. CAPSHAW: The parties have exchanged the briefs.
19 The Court indicated -- or Mr. Cordell indicated he had an
20 argument as to why ResQNet should not apply. That issue
21 hasn't been briefed. Both parties in their brief basically --
22 and you can correct me if I am wrong -- assume ResQNet made
23 settlement agreements admissible.

24 MR. CORDELL: However, we have not heard from the
25 Court as to the application of ResQNet here. We have heard it

1 in other divisions.

2 THE COURT: I would like briefing on that issue
3 specifically. Since you have raised it, why don't you file
4 your brief first. I don't have a brief on that yet, do I?

5 MR. CORDELL: Not on the precise issue that Mr.
6 Capshaw outlined. We talked about it. Monday morning, would
7 that suffice?

8 THE COURT: What is today? Thursday. Yeah, Monday
9 morning would be fine. And do you want to have briefing by
10 then, or do you want to file a response?

11 MR. CAPSHAW: We probably should file a response.

12 THE COURT: Can you have that by Tuesday morning,
13 say?

14 MR. CAPSHAW: Yes, Your Honor, we can.

15 THE COURT: Let's don't have any replies after that.

16 MR. CORDELL: We'll keep it brief. We do have a
17 separate motion as to Mr. Wagner, as to his old theories; and
18 Mr. Heit can present those. It's a Daubert motion.

19 THE COURT: I tell you what, I think we have covered
20 enough today. Let's get the thing -- we are starting to get
21 into damages now. If necessary, I'll schedule another hearing
22 taking up some of these matters or maybe do it after jury
23 selection on the 6th. Isn't that when we are picking the
24 jury?

25 MR. CORDELL: Yes, Your Honor.

1 MR. CAPSHAW: Yes, Your Honor.

2 THE COURT: Is there anything about these motions to
3 strike and Dauberts and stuff that you really need today?

4 MR. CAPSHAW: Not from CSIRO, Your Honor.

5 MR. HEIT: I think we can wait until voir dire.

6 Thank you.

7 THE COURT: I think we have all got our boats kind
8 of full now.

9 All right. Where are y'all on settlement? Who is
10 mediating this? Judge Faulkner?

11 MR. CORDELL: Judge Faulkner.

12 THE COURT: Have y'all had a mediation with him
13 recently?

14 MR. CAPSHAW: We had one mediation, Your Honor,
15 about a week ago Thursday.

16 THE COURT: You make any progress?

17 MR. CAPSHAW: We are far apart, but we progressed
18 from where we were.

19 THE COURT: Both sides still talking to Judge
20 Faulkner?

21 MR. CAPSHAW: No, sir. I think we ought to set up a
22 process for that. My last conversation we hadn't gotten back
23 in touch with him.

24 THE COURT: Okay. What is your reading?

25 MR. CORDELL: My experience, Your Honor, is that

1 Judge Faulkner doesn't need much prompting, but we are happy
2 to engage with him. We typically talk with him after
3 mediations for days and days sometimes. I don't know if
4 anyone has heard from him in the last week. Our expectation
5 was we would continue to talk.

6 MR. CAPSHAW: Your Honor, we will do something
7 formal or whatever is the Court's pleasure.

14 Did we have the decision-makers at the last
15 mediation?

16 MR. CAPSHAW: We did, Your Honor.

17 MR. CORDELL: Yes.

18 THE COURT: Very good.

19 Okay. What else can the Court help you with?

20 MR. CORDELL: But in the spirit of full disclosure,
21 Your Honor, I wasn't at the last mediation.

22 THE COURT: Okay. Good. Good. I hope you will
23 be -- I will instruct you to be at the next one. How's that?

24 MR. CORDELL: Thank you.

25 THE COURT: As far as trial times, I will get you an

111

1 order on that after I find out whether infringement is in the
2 case -- in this case or not. But I think we are looking at
3 substantially less time than what we did in the earlier CSIRO
4 case. I think I gave y'all way too much time for that case.

5 MR. MICHAUD: The parties have actually only asked
6 for five and six days. They want six and we want five. So it
7 is a fairly narrow range at this point. I think if some of
8 these issues fall out, it could be less.

9 THE COURT: Very good. All right. Very well.

10 Y'all a good day and weekend.

11 We are adjourned.

12 (Hearing concluded.)

13

14 C E R T I F I C A T I O N

15

16 I certify that the foregoing is a correct transcript from the
17 record of proceedings in the above-entitled matter.

18

19

20 /s/ Shea Sloan

21 SHEA SLOAN, CSR, RPR
22 OFFICIAL COURT REPORTER
22 STATE OF TEXAS NO. 3081

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